

DISTRICT OF COLUMBIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 1997



Prepared By:

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THE DISTRICT OF COLUMBIA
WASHINGTON, D.C. 20001

MARION BARRY, JR.
Mayor

February 6, 1998

Dear Citizens:

Washington is a great and beautiful city and so is its people. As your Mayor, I am committed to the District of Columbia government becoming the best managed, most efficient, most compassionate, and most customer-oriented government in the world. Getting our finances in order has been one of the highest priorities of my administration.

Since January 1995, the Barry Administration has continuously progressed toward a balanced budget. The previous administration left a \$324 million deficit as of September 30, 1994, and an expenditure pattern that, if left unchecked, would have resulted in ever increasing deficits. In 1995, I implemented spending controls that ended with a \$54 million deficit for the year rather than \$722 million that was projected in February 1995. In 1996, this austerity continued and the deficit for the year was \$41 million less than projected. The control board act required a balanced budget in 1999, and that target was advanced to 1998 by the revitalization act.

I am pleased to announce that my administration has performed better than expected and has actually balanced the budget in 1997 with a General Fund surplus for the year of \$ 185.9 million. Income and franchise taxes increased significantly from 1996; however, revenues remained stagnant overall due in part to weak real estate market values. Expenditures were reduced from last year in all areas except economic development and debt service, and personal services were reduced by \$74 million, or 5%. Anthony A. Williams, the District's Chief Financial Officer and his staff are to be commended for the tremendous job that they have done in leading the District back to financial stability. The continual perseverance in controlling expenditures and greater tax revenues that projected has allowed the District to return to the black two years earlier than scheduled just one year ago. Further, the liability for Medicaid services has been reduced to half of the liability at the start of my administration. As my transformation of the District government continues, services will be provided with state of the art systems and employees will be trained to effectively use those systems and to be citizen service friendly.

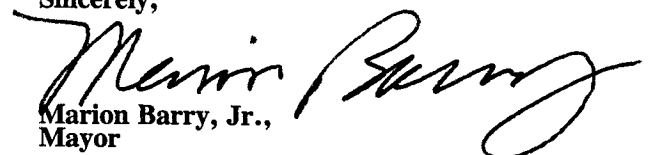
The District has made real sacrifices during the past three years. The number of employees have been right-sized, with total personal services expenditures reducing and actually decreasing to less than half of General Fund expenditures. But this accomplishment has come with pain for District employees who have lost their jobs and have seen their paychecks remain stagnant.

The District also has received an unqualified opinion on its financial statements for the first time since 1994. This should improve the credit rating of the District, thereby reducing the cost of obtaining short and long term financing, and providing the District with reasonable access to short and long term capital markets. With continued attention to keeping our finances balanced, the District should report its fourth consecutive surplus in three years and regain its self-governance powers.

In August, the President and the Congress enacted the Taxpayer Relief and Revitalization Acts. The Federal government will relieve the District of the onerous unfunded pension burden imposed on the District by the Federal government and place the pension plans on a sound financial footing. The Federal government will assume responsibility for many of the state functions performed by the District. The economy of the District will be stabilized by providing financial incentives to citizens to remain or to relocate to the District, and for businesses to invest in the District and its citizens.

The next years will bring continual improvement in service delivery and management reforms to the District. This administration is committed to working with the White House, Congress, the Authority, Council and District employees to continue implementing improvements in the government of the America's First City.

Sincerely,


Marion Barry, Jr.,
Mayor

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Chief Financial Officer



Anthony A. Williams

February 6, 1998

The Honorable Marion S. Barry, Jr.
Mayor of the District of Columbia:

I am pleased to present the District of Columbia's Fiscal Year 1997 Comprehensive Annual Financial Report. This report demonstrates that the creation of an independent Chief Financial Officer by the Control Act resulted in substantial financial progress. Indeed, the Herculean effort undertaken by hundreds of financial staff over the past year has brought not only a return to integrity in financial management, but potentially an accelerated return to true accountability by local self-government.

The financial audit indicates that we ended 1997 with an operating surplus of \$185.9 million, which far exceeds our initial budget target of a \$74 million deficit. While some of the surplus is due to an unexpectedly strong economy and one-time revenues – such as the sale of the Correctional Treatment Facility for \$56 million – much of the surplus resulted from improved management of the basic financial functions of a city: collecting taxes, holding the line on expenditures, and planning for future contingencies.

In addition, these financial statements received an unqualified opinion for the first time since the District's financial crisis began. As you know, the qualification for the past two years was due to uncertainties surrounding our business tax assets. I am pleased to report that the audit shows that we have successfully cleaned up the more than 74,000 tax records that were in question. To achieve this unqualified opinion, the financial management organization of the District has undergone a massive effort to resolve the problems documented in Fiscal Years 1995 and 1996. By examining all accounts payable, cataloging the District's fixed assets, developing policies and procedures for all financial operations, and ensuring that every transaction in our Byzantine budget process can bear scrutiny, we have addressed many of the serious issues that have undermined the District's financial stability for many years.

Although there is still an accumulated deficit of \$332.3 million that remains to be retired, the District has demonstrated that it can eliminate budget deficits and cash shortages through comprehensive financial planning, sound budgeting, accurate revenue forecasts and careful spending as called for in the Control Act. On behalf of all the financial managers in the District, I pledge to use our strong financial position to support agencies as they ensure the most efficient and effective service delivery to our citizens.

Sincerely,

Anthony A. Williams
Chief Financial Officer

INTRODUCTORY SECTION

The introductory section contains the table of contents, letter of transmittal, organizational chart and list of principal officials.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 1997

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February 6, 1998

Mr. Anthony A. Williams
Chief Financial Officer:

Management Responsibility

The comprehensive annual financial report of the District of Columbia for the fiscal year ended September 30, 1997, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of my knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Sections

The comprehensive annual financial report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the general purpose financial statements and the combining and individual fund statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Financial Reporting Entity

A financial reporting entity consists of a primary government and its component units. The primary government is the District which consists of all the organizations that make up its legal entity. The lottery, unemployment compensation and retirement programs are not legally separate organizations and their financial data are included with the financial data of the primary government. The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) is presented as a blended component unit, as required by generally accepted accounting principles (GAAP). The District is not financially accountable for and exercises no control over the Financial Responsibility Authority.

The general hospital, water and sewer utility, convention center, sports commission, housing finance and university are legally separate organizations for which the elected officials of the District are financially accountable. The financial data of these component units are reported separately from the financial data of the primary government. In 1996, the water and sewer utility was not legally separate and was reported as part of the primary government.

The District of Columbia Housing Authority is a legally separate organization for which the District is accountable because it appoints a voting majority of the board, but is not financially accountable. The housing authority was placed into receivership by a May 19, 1995 order of the Superior Court of the District of Columbia. Transactions between the housing authority and the District are presented in the notes to the financial statements.

The Washington Metropolitan Area Transit Authority is a legally separate organization that is owned, operated and governed by Maryland, Virginia and the District as a joint venture in which the participants retain an ongoing financial responsibility. Transactions between the Transit Authority and the District are presented in the notes to the financial statements.

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Economic Condition And Outlook

As the nation's capital, the District of Columbia is the seat of the three branches of the Federal government and headquarters for most Federal departments and agencies. The Federal work force in the District averaged 206,100 employees in 1995 while an additional 154,500 Federal employees worked elsewhere in the metropolitan area. This represents a 5% decrease in the Federal work force in the District since 1994 and 10% since 1993. Additional Federal work force reductions are expected through 1999. With this downsizing and other actions to balance the Federal budget, the District's economy has contracted. Further, the District has benefited from only 2.0% of the 19.0% increase in Federal procurement spending between 1992 and 1995.

In addition to its role as the nation's capital, the District is host to 137 foreign embassies and more than 36 other recognized diplomatic missions, with more than 7,500 employees. A number of international organizations have their headquarters in the District, including the International Monetary Fund, the World Bank, the World Health Organization, the Inter-American Development Bank, and the Organization of American States.

In 1994, an estimated 19.9 million persons visited the District, and tourism continues to increase. Those visitors provided about \$5.0 billion in revenue to the hospitality industry and supported more than 61,000 jobs. Visitors are attracted not only by the need to do business with the national government and regional businesses but also by national monuments, 350 historic sites, 56 museums, and other major cultural attractions. The Air and Space Museum, Museum of Natural History, Union Station, Museum of American History, Kennedy Center for the Performing Arts and National Gallery of Art are all institutions of international renown.

The Washington metropolitan area has developed into a diverse economic entity with Federal government employment providing the base. Significant expansion in services, aerospace, high technology and communications provide many employment opportunities and the region has developed into a site for corporate headquarters. The District is home of several major institutions of higher education, including American University, Catholic University, Gallaudet University, Georgetown University, George Washington University and Howard University. The District has 15 acute care, including three teaching, and 2 psychiatric hospitals, including the Children's Hospital National Medical Center, DC General Hospital, Georgetown University Hospital, George Washington University Hospital, Howard University Hospital, St. Elizabeths Hospital, the Walter Reed Army Medical Center and the Washington Hospital Center that operates a regional shock and trauma center. The headquarters of more than 2,500 national trade associations, voluntary societies and labor organizations are located in the District.

Total employment in the District declined to 623,000 in 1996 from 643,000 in 1995. In the metropolitan suburban area, government jobs provided 20.2% of employment. In the District in 1996 and 1995, the government sector provided 38.7% and 39.5% of total employment, and private employment in the District constituted 61.3% and 60.4% of total employment divided between services (42.2% and 41.1%), wholesale/retail (8.0% and 8.2%), finance, insurance and real estate (4.5% and 4.7%), transportation, communications and utilities (3.0 and 3.1%) and construction and manufacturing (3.4% and 3.4%).

Total employment in the metropolitan area was 2,474,900 in 1996 and 2,494,200 in 1995. (This number excludes self-employed, domestic workers, military and foreign government personnel. As such, the number excludes significant portions of the actual employed work force in the area.) District employment is approximately 25% of the area total. The September 1997 unemployment rate in the District was 8.1%, compared to 8.7% in September 1996 and to 4.9% and 5.7% in the nation in September 1997 and 1996.

Per capita personal income in the District was \$34,932 and \$33,435 in 1997 and 1996, compared to \$24,294 and \$23,233 for the United States. The relatively high per capita and household incomes in the District result from a combination of factors including multiple earner households, small household size (2.3 persons in the 1990 and 2.2 in 1996) and a large percentage of college graduates concentrated in highly-skilled occupations. The District has a significant number of lower income residents with 21% of the population in poverty according to the 1990 census and 20% of the population receiving Medicaid benefits in 1995. In 1990, the District had a median household income of \$30,727 and 15% of households at poverty levels. The most affluent ward had \$48,867 and 6% respectively, and the least affluent ward had \$21,312 and 26% respectively. Five of the other six wards had a poverty household rate of 15% to 18%. Public assistance recipients represented 10.9% and 16.6% of the 1990 and 1996 population, respectively. Food Stamp Program participation covered 42,000 households, or 18.2% of households, and 93,000 persons, or 17.2% of the population, in 1996. The National School Lunch Program covered 50,000 students in 1996.

The District population continued to decline in 1997 to 529,000, especially middle-class families, and is projected to continue to decline through 2000 and then increase again by 2010. Census data indicated a 16% population decrease between 1970 and 1980, and an additional 5% between 1980 and 1990. The population under 20 years of age represented 76% of the decline between 1970 and 1990. Adults over 64 years of age increased by 5% over that same 20 year period. Population estimates since 1990 indicate a continuing decline in total population of about 1.6% per year.

Economic activity in the District in 1998 is expected to remain flat. The rate of job loss is expected to significantly decrease as Federal downsizing abates.

Major Initiatives

The District has experienced a substantial decline in the assessed value of taxable real property, from \$45.0 billion in 1993 to \$42.3 billion in 1997 and particularly for commercial property, which decreased in value from \$24.5 billion in 1993 to \$19.4 billion in 1997.

At year end, the District was constructing 48 projects. The amount authorized for these projects was \$347.4 million, of which \$119.8 million was expended to date, and the unexpended balance was \$227.6 million.

In December 1997 a privately financed downtown sports arena opened adjacent to the convention center. The arena has 20,000 seats and 50,000 square feet of retail space. The Redevelopment Land Agency acquired land and financed related infrastructure improvements from dedicated District taxes. In 1995 the District established the Washington Convention Center Authority to operate the existing convention center and to construct a new convention center using dedicated tax revenues. The convention center project will provide direct construction employment opportunities, and both projects will provide operation employment opportunities and indirect opportunities for the hospitality and tourism segments of the District.

The Taxpayer Relief Act of 1997 (PL 105-34) established the District of Columbia Enterprise Zone through December 31, 2002, consisting of the existing enterprise community plus all other census tracts for which the poverty rate is at least 20%, and increased the limitation on tax-exempt economic development bonds to \$15 million. The law eliminated the Federal capital gains tax through December 31, 2007, on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%; and provides a maximum \$5,000 Federal income tax credit through December 31, 2000 for qualified first time home buyers.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (PL 105-33) (Revitalization Act) effective October 1, 1997 increases the Federal Medicaid reimbursement rate to 70% from 50%, transfers the District's court and felony offender systems to the Federal government, eliminates the Federal payment in lieu of taxes, authorizes a Federal contribution of \$190 million for 1998 and such amount thereafter "as may be necessary" to reflect restrictions and unusual costs imposed on the District, and increases the debt service limitation to 17% from 14%. The Federal government will assume the Judges retirement plan. For the Teachers and the Police and Fire retirement plans, the Federal government will assume responsibility for benefits related to services rendered prior to July 1, 1997. The District Pension Trust will retain responsibility for benefits related to subsequent service, \$1.275 billion of existing plan assets and employee contributions withheld after June 30, 1997.

Year 2000 Issues

The year 2000 presents potential problems for computerized data files and computer programs that capture and process date information. Many computer applications were written with the year represented by the last two digits of the year and the first two digits were implied, thus conserving storage space. When developed, these applications were not expected to be in operation at the end of the century; however, many of these applications continue to be used by governments and businesses. The District operations could be adversely impacted by its computer applications as well as those of its vendors, contractors and other organizations.

The District recognizes that the year 2000 problem could adversely impact its delivery of services to residents and its internal operations. A Year 2000 Program Office has been established with executive management sponsorship to manage and coordinate the Year 2000 compliance activities throughout the District. These activities include mainframe systems, the client-server PC environment and facility systems, such as elevators, security systems and sprinkler systems. Several Year 2000 awareness activities have been conducted, including a half day working session for the Mayor's cabinet and a half day session on facility systems for facility and telecommunications managers. A year 2000 coordinator has been assigned for each agency and a senior attorney from the Office of the Corporation Counsel has been assigned for any related legal liability issues.

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The District has developed an overall project plan and a detailed plan with over 300 tasks for the assessment phase. The plan encompasses systems owned and operated by the District, systems owned and/or operated by a vendor for the District and, system interfaces with third party systems, such as banks and federal government agencies. An application and systems inventory for 14 major agencies has been completed, mission critical systems have been identified, and a detailed assessment is underway. Remediation and/or replacement work is in progress on five mission critical systems. The Chief Technology Officer of the District has estimated the compliance effort to cost from \$18 million to \$25 million. The project plan calls for remediation and/or replacement of all mission critical systems by December 31, 1998.

The year 2000 compliance program is one of the top priorities of the Financial Responsibility Authority and is being funded as part of the overall management reform effort.

Accounting System

The District's accounting system is organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity (corresponding to a corporation in the private sector) having its own assets, liabilities, equity, revenues and expenditures/expenses. The types of funds used are determined by generally accepted accounting principles. The number of funds established within each type is determined by sound financial administration. Specialized accounting and reporting principles and practices apply to governmental and expendable trust funds. Proprietary and pension trust funds are accounted for in the same manner as similar business enterprises or nonbusiness organizations.

Internal Control

Management of the District is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by the United States Congress. A project-length financial plan is adopted for the Capital Projects Fund. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the General Fund. The District also maintains an encumbrance recording system as one technique of accomplishing budgetary control. Generally, encumbered amounts lapse at year end in the General Fund but not in the Capital Projects Fund.

The annual appropriated budget is enacted on a basis that is not consistent with generally accepted accounting principles (GAAP) because of differences that result from budgeting inventory, Medicaid (through 1996), and certain pension and other employee benefits, and other expenditures on a cash basis, and budgeting dedicated tax revenues to the benefiting fund rather than to the fund with the authority to levy and collect the tax. The budgetary general fund differs from GAAP by including the Financial Responsibility Authority special revenue fund and the University discretely presented component unit and by excluding the Office of Cable Television and Correctional Industries. The Financial Responsibility Authority recognizes budgetary expenditures when orders and contracts are issued rather than when goods and services are received.

As with the financial section, all amounts presented in the remainder of this letter are expressed in thousands. Certain 1996 amounts have been restated for comparability.

Financial Summary

The combined fund balances/retained earnings of the financial reporting entity (excluding pension trust funds) increased \$513,466 in 1997 as compared with a decrease of \$4,528 in 1996, a favorable change of \$517,994 or 11439.8%. A one-page comparative schedule combining operating results and financial flow performance is shown in Exhibit G-5 of this report.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The General Fund operations are summarized below.

	1997	1996	Increase (Decrease)	Percent
Revenues	\$ 4,476,289	4,448,697	23,704	0.5 %
Expenditures and uses	4,290,397	4,486,273	(195,876)	(4.4)
Excess (Deficiency)	<u>\$ 185,892</u>	<u>(37,576)</u>	<u>219,580</u>	<u>584.4 %</u>

The General Fund changes in cash and investments are summarized below.

	1997	1996	Increase	Percent
Cash receipts	\$ 4,721,945	4,343,285	378,660	8.7 %
Cash payments	4,636,973	4,324,929	312,044	7.2
Increase	<u>\$ 84,972</u>	<u>18,356</u>	<u>66,616</u>	<u>362.9 %</u>

The General Fund had a total fund deficit of \$332,357 at September 30, 1997, represented by assets of \$1,140,495 less liabilities of \$1,472,852. The fund balance is reserved in the amount of \$33,403 to indicate the portion that is not available for expenditure within one year.

The District has encountered pooled cash shortfalls in the recent fiscal years and projects that the shortfall will begin to diminish in 1998. As a result of the Revitalization Act, the District's 1998 cash flows will differ from 1997 in several ways. The most significant differences are elimination of the \$660,000 annual Federal payment, receipt of a \$190,000 Federal contribution, and the assumption by the Federal government of certain governmental functions and expenditures. In addition, the Revitalization Act imposes budgetary restraints, including a requirement that the District have a balanced budget in 1998. Note 1.P discusses the Revitalization Act in more detail.

As of the beginning of 1998, the District projected a cash deficit of about \$300,000 during the year. To cover these projected cash flow needs, the District issued general obligation tax revenue anticipation notes of \$350,000 in October 1997 and \$50,000 in November 1997 to be repaid in 1998. The District projects having sufficient cash from operations to repay \$300,000 of the notes, and anticipates issuing \$100,000 of intermediate term deficit bonds to repay the balance of the notes and for liquidity needs.

The District anticipates an operating surplus in 1998. The 1998 appropriation law (Public Law 105-100) authorizes a \$201,900 surplus to be used for deficit reduction, capital expenditures, and management and productivity improvements. The law also specifies that \$30,000 of the Federal \$190,000 contribution is to be used for deficit reduction. The Revitalization Act provides borrowing authority to allow the District to finance the accumulated deficit.

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The following summary presents revenues by source class for the current year and the amount and percentage of increases and decreases in relation to prior year revenues.

Source Class	1997		Increase (Decrease) From 1996	
	Amount	Percent	Amount	Percent
Property taxes	\$ 687,599	15.4 %	\$ (58,205)	(7.8) %
Sales and use taxes	613,901	13.7	24,257	4.1
Income and franchise taxes	941,568	21.0	96,537	11.4
Gross receipts taxes	238,898	5.4	(5,540)	(2.3)
Other taxes	95,378	2.1	3,251	3.5
Total taxes	2,577,344	57.6	60,300	2.4
Licenses and permits	45,490	1.0	(3,910)	(7.9)
Fines and forfeits	51,664	1.2	10,872	26.7
Charges for services	87,384	2.0	(20,937)	(19.3)
Miscellaneous	142,648	3.1	26,568	22.9
Total District sources	2,904,530	64.9	72,893	2.6
Payment in lieu of taxes	665,702	14.9	5,702	0.9
Operating grants	906,057	20.2	(54,891)	(5.7)
Total Federal sources	1,571,759	35.1	(49,189)	(3.0)
Total revenues	\$ 4,476,289	100.0 %	\$ 23,704	0.5 %

The following summary presents expenditures and uses by function for the current year and the amount and percentage of increases and decreases in relation to prior year expenditures and uses.

Function	1997		Increase (Decrease) From 1996	
	Amount	Percent	Amount	Percent
Current expenditures:				
Governmental direction	\$ 153,777	3.6 %	\$ (3,799)	(2.4) %
Economic development	154,754	3.6	4,011	2.7
Public safety and justice	994,555	23.2	(4,743)	(0.5)
Public education system	667,384	15.6	(47,269)	(6.6)
Human support services	1,602,026	37.3	(132,921)	(7.7)
Public works	259,490	6.0	(18,671)	(6.7)
Future employee benefits	39,772	0.9	50,505	(470.6)
Total	3,871,758	90.2	(152,887)	(3.8)
Debt service:				
Principal	207,903	4.8	16,656	8.7
Interest and fiscal charges	187,652	4.4	11,195	6.3
Other financing uses:				
Net refunding proceeds	694	-	694	-
Sale/Capital lease	(57,497)	(1.3)	(57,497)	-
Transfers	79,887	1.9	(14,037)	(14.9)
Total expenditures and uses	\$ 4,290,397	100.0 %	\$ (195,876)	(4.4) %

The following summary presents current expenditures by object class for the current year and the amount and percentage of increases and decreases in relation to prior year current expenditures.

Object Class	1997		Increase (Decrease) From 1996	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 1,332,704	34.4 %	\$ (52,350)	(3.8) %
Total employee benefits	471,233	12.2	(72,519)	(13.3)
Future employee benefits	39,772	1.0	50,505	(470.6)
Contractual services	431,612	11.1	51,554	13.6
Supplies	57,338	1.5	(14,174)	(19.8)
Occupancy	130,632	3.4	12,635	10.7
Public assistance	1,045,642	27.0	(106,596)	(9.3)
Other	362,825	9.4	(21,942)	(5.7)
Total current expenditures	<u>\$ 3,871,758</u>	<u>100.0 %</u>	<u>\$ (152,887)</u>	<u>(3.8) %</u>

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Financial Responsibility Authority Fund is used to account for the operating activity of the District of Columbia Financial Responsibility and Management Assistance Authority. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The Financial Responsibility Authority operations are summarized below.

	1997	1996	Increase	Percent
Revenues	\$ 2,267	146	2,121	1,452.7 %
Financing sources	6,602	3,150	3,452	109.6
Expenditures	8,344	3,353	4,991	148.9
Excess (Deficiency)	<u>\$ 525</u>	<u>(57)</u>	<u>582</u>	<u>1,021.1 %</u>

Capital Projects Fund

The Capital Projects Fund is used to account for the purchase or construction of fixed assets which are wholly or partly financed by transfers of taxes dedicated to highway projects, capital grants or general long term debt. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus.

During 1997, grants, interest, debt and transfers totaled \$453,177 and capital outlays were \$211,386 which resulted in a surplus of \$241,791. The capital outlays consisted of \$210,338 for general fixed assets and \$1,048 for component units fixed assets. The Capital Projects Fund had a total fund balance at the end of the year of \$139,229, of which \$30,047 is reserved for net assets restricted for certain highway projects.

Enterprise Fund

Enterprise funds are used to account for organizations engaged primarily or solely in selling goods or services to the general public on a continuing basis. Operations are reported to show a net income or net loss on a flow of economic resources measurement focus. The Lottery and Games Fund operates a lottery and licenses charitable bingo, raffles and Monte Carlo parties. The Lottery and Games enterprise fund is summarized below.

Operating Revenues	Income Before Transfers		Interfund Transfers In (Out)		Retained Earnings	
	1997	1996	1997	1996	1997	1996
\$ 90,276	69,334	85,112	(69,200)	(85,100)	3,051	2,917

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Component Units

Component units are legally separate organizations for which the elected officials of the District are financially accountable. Operations are reported on a flow of economic resources measurement focus. The six component units are summarized below.

<u>Unit</u>	Operating Revenues	Income (Loss) Before Transfers		Intragovernmental Transfers In	
	1997	1997	1996	1997	1996
General Hospital	\$ 109,039	(40,936)	(50,164)	32,135	56,735
Water and Sewer	222,878	21,213	2,532	-	-
Convention Center	8,239	(9,627)	(12,917)	45,769	38,078
Sports Commission	9,358	1,464	1,537	-	-
Housing Finance	22,383	3,103	2,039	-	-
University	21,104	(38,467)	(65,728)	37,797	49,961
Total	<u>\$ 393,001</u>	<u>(63,250)</u>	<u>(122,701)</u>	<u>115,701</u>	<u>144,774</u>

The District of Columbia General Hospital is an acute care facility utilizing 250 beds of its 410 bed capacity and is a major provider of health services to indigent patients. In addition to inpatient care, the hospital serviced 85,968 and 82,712 outpatient visits and 50,992 and 53,284 emergency room visits in 1997 and 1996, respectively. The District of Columbia Health and Hospitals Public Benefit Corporation was created by DC Law 11-212 to manage and control the General Hospital and the community health clinics and certain chronically ill services provided by the Department of Human Services. The corporation will be operational in 1998.

The Water and Sewer Authority operates a regional sewerage system and supplies to the District potable water from the Potomac River by financing the Washington Aqueduct operated by the US. Army Corps of Engineers. District waste treatment facilities process sewage for the District and local jurisdictions in suburban Maryland and northern Virginia. Through 1996, long term capital financing was provided by participating in general obligation bonds and notes payable to the Federal government. This debt was issued by the District and the unit repaid its share from operating revenues of the unit. Starting in 1997, bonds issued by the unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit. However, the unit will participate in new general obligation bonds issued by the District to refinance prior issuances in which the unit participated.

The Washington Convention Center is located midway between the Capitol and the White House and has 378,000 square feet of exhibit and meeting space on two levels. A new facility is planned. Bonds issued by the Convention Center are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The Sports Commission promotes the District as a sporting event site; coordinates development and construction of sporting facilities and related infrastructure; manages District owned facilities, including the Robert F. Kennedy Memorial Stadium and the National Guard Armory; and may own and operate a professional sports franchise. Bonds issued by the Commission are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

Housing Finance Authority issues bonds and uses the proceeds to finance residential mortgage, construction and rehabilitation loans. Bonds issued by the Housing Finance Unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The University includes all activities of the University of the District of Columbia which is a land-grant institution that provides low cost courses leading to certificate, bachelor and advanced degrees in arts, sciences, teacher education, special career education and law.

The combined retained earnings of the component units was \$181,303 at September 30, 1997.

Trust Funds

Trust funds are used to account for property to which the District has legal title in order to administer it for the benefit of others. Expendable trust funds are those whose principal may be expended and are reported on a flow of current financial resources measurement focus. Pension trust funds must preserve their principal intact and are reported on a flow of economic resources measurement focus.

The two trust funds are summarized below.

Fund	Additions/ Operating Revenues	Deductions/ Expenditures		Net Increase/ Excess	
	1997	1997	1996	1997	1996
Unemployment Compensation	\$ 128,355	103,731	113,977	32,875	32,875
Pension	1,369,296	391,770	355,521	425,228	426,028
Total	<u>\$ 1,497,651</u>	<u>495,501</u>	<u>469,498</u>	<u>458,103</u>	<u>458,903</u>

The Unemployment Compensation Fund pays benefits to unemployed former employees of the District and Federal governments and private employers doing business in the District. At September 30, 1997, the fund had a total fund balance of \$146,839.

The Pension Trust Funds pay benefits to retired judges, police officers, fire fighters and public school teachers under the District Retirement Programs which are contributory single employer defined benefit pension plans administered by the District. As stated earlier, on October 1, 1997 all responsibility for the judges plan and all responsibility for the other employee groups for service provided prior to July 1, 1997 transferred to the Federal government. For service provided after June 30, 1997, the police officers, fire fighters and public school teachers are covered by a continuation of the existing plan with certain plan modifications. Other employees are covered by the Civil Service or Social Security Retirement Systems administered by the Federal government or the section 401 defined contribution plan.

The District Retirement Program was started in 1916 and operated by the Federal government on an unfunded basis. At the beginning of Home Rule in 1975, the unfunded actuarial liability of the program was \$1.9 billion. In 1979, Congress enacted the Retirement Reform Act which authorized 25 annual Federal contributions of \$52,070 from 1980 through 2004. The present value of these contributions in 1975 was \$486,800 or 25.6% of the unfunded actuarial liability at that date.

The District's annual contribution to the Pension Trust Funds mandated by the Retirement Reform Act is primarily on a pay-as-you-go basis through 1997. Beginning in 1998, the District's annual contribution to the Pension Trust Funds will be the actuarially determined normal cost. At September 30, 1997, the unfunded pension benefit obligation was \$3,712,216 of which \$3,487,998 was accrued in the General Long Term Liabilities Account Group.

The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made by the District in accumulating sufficient assets to pay benefits when due. The smaller the percentage, the stronger the Pension Trust Funds.

The net assets (at market) available for benefits, expressed as a percentage of the total pension benefit obligation, indicates over time whether the program is becoming financially stronger or weaker. The larger the percentage, the stronger the Pension Trust Funds.

Three-year historical trend information was as follows:

	1997	1996	1995
Unfunded obligation to covered payroll	861.1 %	963.3 %	927.0 %
Net assets to total obligation	57.6	48.2	44.0

Debt Administration

The following summary presents the outstanding long term general obligation debt of the District at September 30, 1997 and 1996. No revenue, special assessment or overlapping debt exists.

Fund Type or Account Group	1997	1996
Component notes	\$ 10,142	11,570
Component bonds	271,958	292,149
General notes	39,706	50,750
General bonds	3,045,057	2,915,006
Total	<u>\$ 3,366,863</u>	<u>3,269,475</u>

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The percentage of debt to assessed value (which equals estimated actual value) and the amount of debt per capita (in dollars) are useful indicators of the District's debt position. These data for the District at September 30, 1997 and 1996 were as follows.

<u>Indicator</u>	<u>1997</u>	<u>1996</u>
Debt to assessed value	8.0 %	7.7 %
Debt per capita	\$ 6,365	6,021

Through 1984, the District issued notes to the Federal government for authorized capital projects. Starting in 1985, the District has issued general obligation bonds to finance capital projects, to refinance old debt and to eliminate an operating deficit. At year end, there were 82 notes and 20 bond issues outstanding. The District has received a B rating from Standard & Poor's Corporation, a BB rating from Fitch Investors Service, Inc. and a Ba 2 rating from Moody's Investors Service, Inc. on its general obligation bond issues.

During the year, the District issued \$326,120 of general obligation improving bonds. The proceeds were used for capital projects (\$316,900), bond discounts (\$5,716) and issuance costs (\$3,504). The effective interest rates for the two bond issues were 6.44% and 6.02%.

During the year, the District issued \$82,270 of general obligation refunding bonds. The proceeds, plus the \$806 bond premium, were used to pay issuance costs of \$1,028 and to legally defease general obligation bonds payable of \$81,365 by purchasing and escrowing \$82,844 of United States government securities. The refunding gave rise to an economic gain of \$987 resulting from reduced future interest payments. The effective interest rate for the bonds was 5.64%.

During the year, the District legally defeased \$3,460 of general obligation bonds associated with constructing the Correctional Treatment Facility by purchasing and escrowing \$3,511 of United States government securities.

The Charter limits the issuance of long term general obligation debt (other than refunding debt) to an amount which would not cause future debt service to exceed 14% of current revenues as calculated in Exhibit S-11. At September 30, 1997, the District's general obligation debt of \$3,366,863 was approximately \$807,893 below the legal debt limitation of approximately \$4,174,756.

Capital appreciation bonds are issued with a stated interest rate of zero percent. The interest is not paid until the bonds mature. To provide full disclosure, the interest is accreted over the lives of the bonds in the General Long Term Liabilities Account Group.

The District has issued private activity bonds whose principal and interest are not general obligations of the District and are payable solely from defined revenues of private entities. These bonds provide economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the economic base of the District. As of September 30, 1997, the bonds had an outstanding aggregate principal amount of \$1,597,698.

During the year, the District issued \$190,800 of general obligation tax revenue anticipation notes with a stated interest rate of 4.50% and a net interest cost of 5.17%. The principal and interest were paid on September 30, 1997, by the General Fund.

During the year, the District issued \$74,000 of general obligation notes with a stated interest rate of 3.98% through September 30, 1997 and at a variable rate (not to exceed 12.00%) thereafter until redeemed in 1998.

During the year, the District paid \$379,000 of short term notes issued to the Federal government in 1996 and issued \$223,100 with interest rates from 5.56% to 5.73%. The principal and interest were paid in October 1997, by the General Fund.

Cash Management

Cash from all funds of the primary government, excluding the Financial Responsibility Authority, is combined unless prohibited by law. Any cash that is not needed for immediate disbursement is invested in obligations which are guaranteed fully by the Federal government, in mutual funds of Federal government obligations or repurchase agreements collateralized by Federal government obligations. Deposits and investments, except for investments of the Housing Finance Unit and an account for the joint benefit of the General Fund and Convention Center Unit, are collateralized fully with securities which are held by the District or by its agent in the District's name. The District earned \$15,275 on its investments in 1997 and \$15,253 in 1996, average yield rates of 5.31% and 5.34%, respectively, exclusive of fiduciary funds.

Risk Management

The District retains the risk of loss arising out of the ownership of property or from some other cause, except health care and life insurance benefits for employees. Assets are not set aside to finance losses, which are recognized in the affected fund when they occur.

Budgetary Compliance

The following summary presents comparisons between appropriated actual amounts and appropriated budget amounts (as amended) of the General Fund for the year ended September 30, 1997.

	GAAP Basis	Nonappro- priated	Appropriated (Budget Basis)		
			Actual	Budget	Variance
Revenues and sources	\$ 4,674,689	100,794	4,573,895	4,522,777	51,118
Expenditures and uses	4,488,797	23,778	4,465,019	4,596,777	131,758
Excess (Deficiency)	<u>\$ 185,892</u>	<u>77,016</u>	<u>108,876</u>	<u>(74,000)</u>	<u>182,876</u>

Independent Audit

District law (DC. Code 47-119) requires an annual financial audit of the District by independent certified public accountants. The audit must be conducted in accordance with generally accepted auditing standards and the financial statements must be prepared in conformity with generally accepted accounting principles. The District has complied with these requirements and the independent auditors' report is included in the financial section of this report.

Acknowledgments

The preparation of the comprehensive annual financial report was made possible by the dedicated staff of the Office of Financial Operations and Systems.

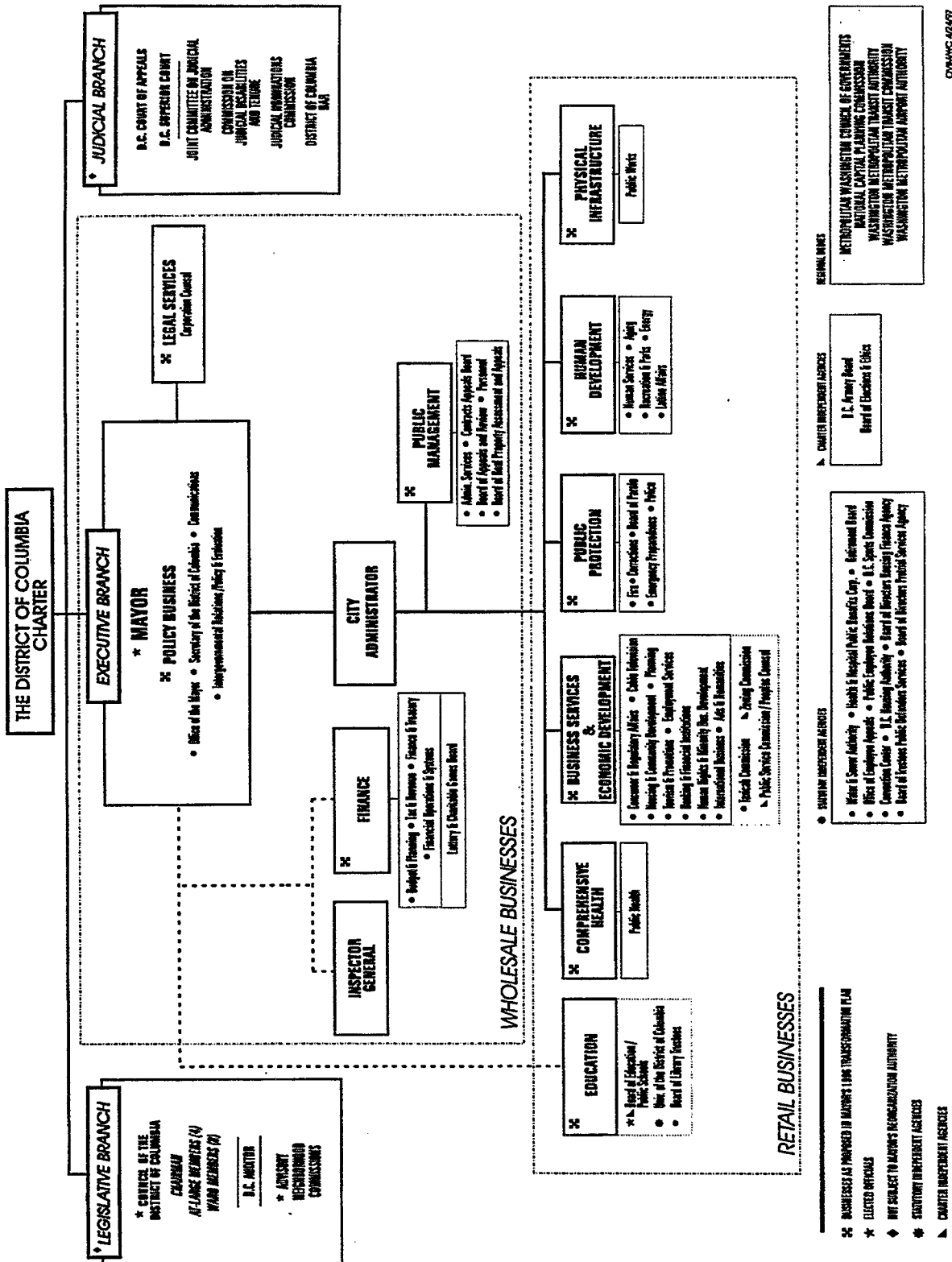
Respectfully submitted,



Earl C. Cabbell
Deputy Chief Financial Officer,
Financial Operations and Systems

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GOVERNMENT OF THE DISTRICT OF COLUMBIA



PRINCIPAL OFFICIALS

January 2, 1998

Name	Position	First Elected Or Appointed	Term Expires
Chief Executive Officer			
Marion Barry, Jr.	Mayor	1995	1999
Council			
Linda W. Cropp	Chairman	1991	1999
Harold Brazil	At Large	1991	2001
David A. Catania	At Large	1997	1999
Hilda H. M. Mason	At Large	1977	1999
Carol Schwartz	At Large	1997	2001
Frank Smith, Jr.	Ward 1	1983	1999
John K. Evans	Ward 2	1991	2001
Kathleen Patterson	Ward 3	1995	1999
Charlene Drew Jarvis	Ward 4	1979	2001
Harry L. Thomas, Sr.	Ward 5	1987	1999
Sharon Ambrose	Ward 6	1997	1999
Kevin P. Chavous	Ward 7	1993	2001
Sandy Allen	Ward 8	1997	2001
Chief Judges			
Annice M. Wagner	Court of Appeals		2009
Eugene N. Hamilton	Superior Court		2008
House Of Representatives			
Eleanor Holmes Norton	Delegate	1991	2001
Executive Officers			
Wilbert J. Parker	City Administrator		
Anthony A. Williams	Chief Financial Officer		
Honorable John M. Ferren	Corporation Counsel		
Kathleen E. Arnold	Secretary of the District of Columbia		
{Vacant}	Inspector General		
Earl C. Cabbell	Deputy CFO, Financial Operations and Systems		
Abdusalam Omer	Deputy CFO, Budget and Planning		
Thomas F. Huestis	Deputy CFO, Finance		
Natwar Gandhi	Deputy CFO, Taxation and Revenue		
Financial Responsibility And Management Assistance Authority			
Andrew F. Brimmer	Chairperson	1995	1998
Stephen D. Harlan	Vice Chairperson	1995	1998
Joyce D. Ladner	Member	1995	1998
Constance B. Newman	Member	1995	1998
Edward Singletary	Member	1995	1998

FINANCIAL SECTION

The financial section contains two subsections: General Purpose Financial Statements and Combining and Individual Fund Statements and Schedules.

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements provide a summary overview of the financial position of all fund types, account groups and component units; and of the operating results of all fund types and component units.



2001 M Street, N.W.
Washington, DC 20036

Independent Auditors' Report

District of Columbia Financial Responsibility
and Management Assistance Authority:

Inspector General of the District of Columbia:

Mayor and Council of the District of Columbia:

We have audited the general purpose financial statements of the District of Columbia (the District), as of and for the year ended September 30, 1997, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except as discussed in this paragraph. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the District of Columbia Retirement Board, the Pension Trust Funds within the Fiduciary Fund Type, were audited by other auditors in accordance with generally accepted auditing standards, but not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1(A), Public Law 104-8 created the Authority, defined a "control period" and deemed a control period to exist. The District is still in this control period. The District's General Fund reflects an accumulated fund deficit at September 30, 1997 of approximately \$332,000,000. Further, as discussed in Note 1(Q), the District projects a pooled cash shortfall of approximately \$300,000,000 in fiscal 1998, necessitating short and intermediate term borrowing. Note 1(P) discusses the National Capital Revitalization and Self-Government Improvement Act of 1997 which made significant changes to the District's Charter, its structure, and the services it provides with the objective of improving the District's financial condition. However, the District continues to face significant unresolved future funding issues, the outcome of which may result in additional changes to the District's structure and level of services.

During 1997, the District completed a one-time transaction to enhance its liquidity position. As discussed in Note 9, the District completed a sale-leaseback of its Correctional Treatment Facility (CTF). The result of the transaction is that the District effectively borrowed \$55,850,000, of which \$52,000,000 is for operations and \$3,850,000 is for improvements to the CTF. This transaction resulted in an immediate improvement in the fund deficit of the District's General Fund which will reverse over 20 years as the District makes payments on the CTF lease.

As discussed in note 1(E), the legally adopted budget enacted by Congress authorizes expenditures at the function level. A revision that exceeds the total expenditures authorized for any function must be enacted by Congress unless otherwise authorized by an act of Congress. In order to reach certain Congressionally mandated deficit reduction targets, the District of Columbia Financial Responsibility and Management Assistance Authority (the Authority) approved certain budget revisions which altered expenditures as authorized in the District of Columbia Financial Responsibility and Management Assistance Authority Act (Public Law 104-8) and the 1997 District of Columbia Appropriations Act (Public Law 104-194). The Authority, acting on the advice of counsel, and counsel for the Authority have represented that the Authority may legally approve such budget revisions.

Member Firm of
KPMG International

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District of Columbia, as of September 30, 1997, and the results of its operations, changes in plan net assets of the pension trust funds, and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1(O), the District adopted Governmental Accounting Standards Board (GASB) Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, and Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, in 1997. As discussed in Note 1(B), the Water and Sewer Authority Establishment and Department of Public Works Reorganization Act, established the Water and Sewer Authority (WASA) effective October 1, 1996 and, accordingly, the District has presented the former Water and Sewer Utility Administration enterprise fund as a discretely presented component unit. Additionally, as discussed in Note 1(O), WASA changed its valuation methodology for construction contributions received from other jurisdictions.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 1998, on our consideration of the District's compliance with certain provisions of laws, regulations, contracts, and grants and the District's internal control over financial reporting. Our report identifies potential material noncompliance related to:

- the District of Columbia Procurement Practices Act of 1985
- the Anti-Deficiency and Home Rule Acts
- the Quick Payment Provision of the District of Columbia Code
- the Depository Act of 1977
- lawsuits and court orders
- federal grant requirements
- the District of Columbia Financial Responsibility and Management Assistance Authority Act

Our report also identifies material weaknesses in internal control over financial reporting related to:

- the District of Columbia Procurement Practices Act of 1985
- the Anti-Deficiency and Home Rule Acts
- the Quick Payment Provision of the District of Columbia Code
- electronic data processing
- business tax information system processing
- monitoring of Department of Housing and Community Development loan activity
- DC Lottery and Charitable Games Control Board financial management
- bank reconciliation controls
- controls over transactions involving the Authority
- lack of timely entry of transactions into FMS
- other reconciliation and management items

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The information in the accompanying schedules identified as Exhibits A-1 through G-6 in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the District of Columbia. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory section and the statistical section of the report, and accordingly, express no opinion thereon.

KPMG Peat Marwick LLP

February 5, 1998

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Exhibit 1

ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS

COMBINED BALANCE SHEET

September 30, 1997
(\$000s)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Type	Account Groups		Compo- nent Units
	General	Special Revenue Financial Responsibility Authority	Capital Projects	Enterprise	Trust and Agency (Note 6)	General Fixed Assets	General Long Term Liabilities	(Note 7)
ASSETS AND OTHER DEBITS								
Current Assets:								
Cash and investments (note 2)	\$ 307,219	3,591	50,588	15,348	6,201,046	-	-	586,588
Receivables (net of allowances for uncollectibles):								
Taxes	218,814	-	-	-	11,415	-	-	-
Accounts	64,762	-	-	2,248	26,694	-	-	104,803
Intergovernmental	365,465	-	20,013	-	300,625	-	-	32,242
Intragovernmental (note 3)	2,177	-	-	-	-	-	-	70,948
Interfund (note 3)	62,310	-	154,708	-	4,915	-	-	-
Inventories	74,697	-	-	165	-	-	-	19,651
Other current assets	11,648	-	-	166	9,714	-	-	2,453
Total current assets	1,107,092	3,591	225,309	17,927	6,554,409	-	-	816,685
Long Term Assets:								
Receivables (net of allowances for uncollectibles):								
Loans	33,403	-	-	-	-	-	-	220,343
Intergovernmental	-	-	-	-	-	-	-	29,188
Interfund	-	1,466	-	-	-	-	-	-
Deferred charges	-	-	-	-	-	-	-	10,976
Other long term assets	-	-	-	79,570	-	-	-	-
Total long term assets	33,403	1,466	-	79,570	-	-	-	260,507
Fixed Assets (Note 4):								
Property and equipment	-	-	-	2,988	-	5,939,887	-	2,043,361
Less-accumulated depreciation	-	-	-	2,200	-	2,489,898	-	691,025
Net fixed assets	-	-	-	788	-	3,449,989	-	1,352,336
Other Debits:								
Resources to be provided	-	-	-	-	-	-	6,965,703	-
Total assets and other debits	\$ 1,140,495	5,057	225,309	98,285	6,554,409	3,449,989	6,965,703	2,429,528

The accompanying notes are an integral part of this statement.

	Governmental			Proprietary	Fiduciary	Account		
	Fund Types			Fund Types	Fund Type	Groups		
	Special			Enterprise	Trust and Agency (Note 6)	General Fixed Assets	General Long Term Liabilities	Compo- nent Units (Note 7)
	Revenue							
	Financial							
General	Responsibility Authority	Capital Projects						
LIABILITIES, EQUITY AND OTHER CREDITS								
Current Liabilities:								
Payables:								
Accounts	\$ 310,560	2,016	36,490	7,384	837,695	-	-	55,665
Compensation	143,411	226	-	442	-	-	-	22,855
Intergovernmental	11,770	-	-	-	-	-	-	532
Intragovernmental (note 3)	58,683	-	-	-	12,265	-	-	87,177
Interfund (note 3)	18,901	1,752	-	-	207,953	-	-	-
Accrued liabilities	336,985	-	-	6,725	-	-	-	37,928
Deferred revenue	265,629	28	45,595	165	-	-	-	50,407
Current maturities (note 5)	-	-	-	-	-	-	-	21,651
Short term debt - intergovernmental	297,100	-	3,995	-	-	-	-	-
Other current liabilities	29,813	65	-	948	299,092	-	-	19,467
Total current liabilities	1,472,852	4,087	86,080	15,664	1,357,005	-	-	295,682
Long Term Liabilities (Note 5):								
Long term debt:								
Intergovernmental notes payable	-	-	-	-	-	-	39,706	8,816
General obligation bonds payable	-	-	-	-	-	-	3,045,057	251,633
Loans payable	-	-	-	-	-	-	-	644,675
Other long term liabilities	-	-	-	79,570	-	-	3,880,940	341,896
Total long term liabilities	-	-	-	79,570	-	-	6,965,703	1,247,020
Total liabilities	1,472,852	4,087	86,080	95,234	1,357,005	-	6,965,703	1,542,702
Equity and other credits:								
Other credits:								
Resources invested (note 4)	-	-	-	-	-	3,449,989	-	-
Contributed capital (note 4)	-	-	-	-	-	-	-	705,523
Retained earnings	-	-	-	3,051	-	-	-	181,303
Fund balances:								
Reserved for:								
Long term assets	33,403	-	-	-	-	-	-	-
Encumbrances	-	-	148,678	-	-	-	-	-
Net restricted assets	-	-	30,047	-	5,197,404	-	-	-
Unreserved (deficit)	(365,760)	970	(39,496)	-	-	-	-	-
Total equity and other credits	(332,357)	970	139,229	3,051	5,197,404	3,449,989	-	886,826
Total liabilities, equity and other credits	\$ 1,140,495	5,057	225,309	98,285	6,554,409	3,449,989	6,965,703	2,429,528

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EXHIBIT 2

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

Year Ended September 30, 1997
(\$000s)

	Governmental Fund Types			Fiduciary Fund Type
	General	Special Revenue Financial Responsibility Authority	Capital Projects	Expendable Trust
Revenues:				
Taxes	\$ 2,577,344	-	-	97,179
Licenses and permits	45,490	-	-	-
Fines and forfeits	51,664	-	-	-
Charges for services	87,384	2,016	-	-
Benefit contributions	-	-	-	23,630
Miscellaneous	142,648	251	5,633	7,546
Intergovernmental (note 8)	1,571,759	-	93,093	-
Total revenues	4,476,289	2,267	98,726	128,355
Expenditures:				
Current:				
Governmental direction and support	153,777	8,344	-	-
Economic development and regulation	154,754	-	-	-
Public safety and justice	994,555	-	-	-
Public education system	667,384	-	-	-
Human support services	1,602,026	-	-	103,731
Public works	259,490	-	-	-
Employee benefits addition (deduction)	39,772	-	-	-
Capital outlay	-	-	211,386	-
Debt service:				
Principal	207,903	-	-	-
Interest and fiscal charges	187,652	-	-	-
Total expenditures	4,267,313	8,344	211,386	103,731
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	208,976	(6,077)	(112,660)	24,624
Other Financing Sources (Uses):				
Proceeds (payments) of:				
General obligation bonds	71,703	-	326,120	-
Payment to refunded bond escrow agent:				
Refunded debt	(70,914)	-	-	-
Refunding charges	(1,483)	-	-	-
Sale of fixed assets	1,647	300	-	-
Sale/lease back	55,850	272	-	-
Transfers:				
Interfund transfers in	69,200	6,030	28,331	-
Interfund transfers out	(33,386)	-	-	-
Intragovernmental transfers out	(115,701)	-	-	-
Total other financing sources (uses)	(23,084)	6,602	354,451	-
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	185,892	525	241,791	24,624
Fund Balances (Deficit) at October 1 (restated) (note 1.0)	(518,249)	445	(102,562)	122,215
Fund Balances (Deficit) at September 30	\$ (332,357)	970	139,229	146,839

The accompanying notes are an integral part of this statement.

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND RECONCILIATION
OF BUDGETARY BASIS WITH GAAP BASISYear Ended September 30, 1997
(\$000s)

	Budget				Variance -
	Original	Revisions	Revised	Actual	Favorable (Unfavorable)
Revenues and Sources:					
Taxes:					
Real property taxes	\$ 626,100	2,365	628,465	617,694	(10,771)
Sales and use taxes	520,600	12,800	533,400	540,837	7,437
Individual income taxes	657,700	27,200	684,900	753,475	68,575
Other taxes	531,106	1,294	532,400	578,030	45,630
Total taxes	2,335,506	43,659	2,379,165	2,490,036	110,871
Licenses and permits	49,378	122	49,500	45,489	(4,011)
Fines and forfeits	45,310	(3,210)	42,100	51,664	9,564
Charges for services	52,826	(8,526)	44,300	43,810	(490)
Miscellaneous	150,797	32,935	183,732	194,886	11,154
Intergovernmental	1,521,103	173,325	1,694,428	1,553,460	(140,968)
General obligation bonds	-	-	-	71,703	71,703
Surplus property sales	24,000	705	24,705	53,647	28,942
Transfers	75,799	(3,199)	72,600	69,200	(3,400)
Revenue initiatives	46,680	(14,433)	32,247	-	(32,247)
Total revenues and sources	4,301,399	221,378	4,522,777	4,573,895	51,118
Expenditures and Uses:					
Governmental direction and support	115,663	1,204	116,867	103,637	13,230
Economic development and regulation	135,704	8,296	144,000	112,127	31,873
Public safety and justice	1,041,281	7,745	1,049,026	1,019,359	29,667
Public education system	758,815	42,023	800,838	740,740	60,098
Human support services	1,685,707	94,536	1,780,243	1,725,350	54,893
Public works	247,967	(3,844)	244,123	238,286	5,837
Washington Convention Center Payment	5,400	-	5,400	5,400	-
Repay bonds and interest	333,710	14,950	348,660	426,992	(78,332)
Repay deficit bonds and interest	38,314	686	39,000	37,936	1,064
Interest on short term borrowing	34,461	(15,636)	18,825	12,633	6,192
Inaugural services	5,702	-	5,702	3,503	2,199
Certificates of participation	7,926	-	7,926	7,831	95
Human resources development	12,257	(810)	11,447	6,538	4,909
Cost reduction initiatives	(47,411)	47,411	-	-	-
Financial Responsibility Authority	3,400	(180)	3,220	3,187	33
Water and sewer cash repayment (note 1.E)	21,500	-	21,500	21,500	-
Total expenditures and uses	4,400,396	196,381	4,596,777	4,465,019	131,758
Subtotal	(98,997)	24,997	(74,000)	108,876	182,876
PL 104-194 Deficit Target (Additions) Deductions (note 1.E):					
Other deficit reductions	24,997	(24,997)	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES (BUDGETARY BASIS)					
	\$ (74,000)	-	(74,000)	108,876	182,876
Reconcile Budgetary to GAAP Basis:					
Financial Responsibility Authority				3,187	
Other entity definition differences				(596)	
Water and sewer cash repayment				21,500	
Accrued interest				(3,024)	
Medicaid accrual, net of revenue				94,272	
Long term receivable reserve				(9,601)	
Grant disallowance accrual				(15,348)	
Claims and judgments accrual				(8,315)	
Inventory (increase) decrease				(2,080)	
Other accruals, net				(2,979)	
EXCESS (DEFICIENCY) OF REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES (GAAP BASIS)					
				\$ 185,892	

The accompanying notes are an integral part of this statement.

Exhibit 4

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCESYear Ended September 30, 1997
(\$000s)

	Proprietary Fund Types Enterprise (Note 6)	Component Units (Note 8)
Operating Revenues:		
Charges for services	\$ 202,900	370,618
Miscellaneous	-	22,383
Subtotal	202,900	393,001
Deductions from charges for services	112,624	-
Total operating revenues	90,276	393,001
Operating Expenses:		
Personal services	4,105	208,207
Contractual services	16,302	109,131
Supplies	55	31,018
Occupancy	1,893	33,603
Depreciation	400	40,044
Miscellaneous	656	55,610
Total operating expenses	23,411	477,613
OPERATING INCOME (LOSS)	66,865	(84,612)
Nonoperating Revenues (Expenses):		
Intergovernmental (note 9)	-	31,308
Interest revenue	2,417	21,845
Interest and fiscal charges	-	(49,518)
Miscellaneous	52	17,727
Total nonoperating revenues (expenses)	2,469	21,362
INCOME (LOSS) BEFORE TRANSFERS	69,334	(63,250)
Transfers:		
Interfund transfers out	(69,200)	-
Intragovernmental transfers in	-	115,701
Total transfers in (out)	(69,200)	115,701
NET INCOME	134	52,451
Depreciation closed to Contributed Capital	-	8,049
INCREASE IN RETAINED EARNINGS/FUND BALANCES	134	60,500
Retained Earnings/Fund Balances at October 1 (restated) (note 1.0)	2,917	120,803
Retained Earnings/Fund Balances at September 30	\$ 3,051	181,303

The accompanying notes are an integral part of this statement.

ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS

COMBINED STATEMENT OF CASH FLOWS

Year Ended September 30, 1997
(\$000s)

	Proprietary Fund Types Enterprise Funds	Component Units
Operating Activities:		
Cash receipts from customers	\$ 205,109	266,775
Cash receipts from loans and interest	-	15,107
Other cash receipts	52	111,153
Cash payments to vendors	(18,052)	(196,122)
Cash payments to employees	(4,484)	(206,396)
Other cash payments, including prizes	(107,048)	(397)
Net cash provided (used)	75,577	(9,880)
Capital and Related Financing Activities:		
Acquisitions of fixed assets	(20)	(65,417)
Proceeds of long term bonds	-	-
Payments of long term debt	-	(22,487)
Payments of interest and charges	-	(15,245)
Contributions of capital	-	5,119
Net cash provided (used)	(20)	(98,030)
Noncapital Financing Activities:		
Operating grant receipts	-	32,263
Interfund transfers out	(69,200)	-
Intragovernmental transfers in	-	115,701
Proceeds of loans payable	-	245,513
Payments of loans payable	-	(92,147)
Payments of interest and charges	-	(42,412)
Other long term payments	-	(7,858)
Payments to other funds	-	(52,279)
Net cash provided (used)	(69,200)	198,781
Investing Activities:		
Receipts of interest and dividends	2,417	21,845
Net cash provided	2,417	21,845
INCREASE IN CASH	8,774	112,716
Cash and Investments at October 1	6,574	473,872
Cash and Investments at September 30	\$ 15,348	586,588
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 66,865	(84,612)
Depreciation	400	40,044
Miscellaneous nonoperating revenues	52	17,727
Loss on disposition of fixed assets	-	(908)
Decrease (increase) in assets:		
Receivables	2,110	(40,589)
Allowances for uncollectibles	159	13,359
Inventories	183	607
Other current assets	(157)	(2,314)
Loans receivable	-	(5,805)
Increase (decrease) in liabilities:		
Payables	5,732	10,901
Accrued liabilities	(576)	17,549
Deferred revenue	(60)	6,885
Other current liabilities	869	17,276
Net cash provided (used)	\$ 75,577	(9,880)
Noncash contributions of capital	\$ -	1,048

The accompanying notes are an integral part of this statement.

PENSION TRUST FUNDS

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 1997
(\$000s)

	Fiduciary Fund Type Pension Trust
Additions:	
Benefit contributions:	
Interfund	\$ 320,930
Employees	33,779
Miscellaneous - intergovernmental interest	19,643
Investing:	
Investment income	166,633
Gain on investments	861,664
Less - investment expenses	33,353
Total additions	<u>1,369,296</u>
Deductions:	
Personal services	674
Contractual services	1,545
Supplies	46
Occupancy	78
Benefit payments:	-
Benefits	388,815
Contribution refunds	570
Miscellaneous	42
Total deductions	<u>391,770</u>
NET INCREASE	977,526
Net assets held in trust for pension benefits:	
October 1	<u>4,073,039</u>
September 30	<u>\$ 5,050,565</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 1997

(amounts expressed in thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Article I, section 8, clause 17 of the United States Constitution adopted September 17, 1787 states, "The Congress shall have the power...to exercise exclusive legislation in all cases whatsoever, over such district (not exceeding ten miles square) as may, by cession of particular states, and the acceptance of Congress, become the seat of the government of the United States..." The District of Columbia (District) was created March 30, 1791 and became the nation's capital December 1, 1800. Congress granted the District a Charter which went into effect on January 2, 1975 (the District of Columbia Self-Government and Governmental Reorganization Act, Public Law 93-198, approved December 24, 1973). The District is a municipal corporation which operates under an elected Mayor-Council form of government. An act of the Council, other than a budget request act, becomes a law unless it is disapproved by Congress and the President after it is adopted. Citizens of the District have the right to vote for President and Vice President of the United States but not for members of Congress. The District has an elected nonvoting delegate to the United States House of Representatives. The judges of the District courts are appointed by the President with the advice and consent of the Senate. Felonies committed in the District are prosecuted by the United States Attorney and court orders are carried out by the United States Marshall.

The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) was created April 17, 1995 by Public Law 104-8. The five members of the Financial Responsibility Authority are appointed by the President. The Financial Responsibility Authority has broad powers during a control year to review and approve the budget, legislation, contracts (including collective bargaining agreements) and borrowing of the District; and to borrow funds on behalf of the District. A control year is a fiscal year which commences during a control period. A control period commences upon the occurrence of a borrowing from the US Treasury pursuant to DC Code 47-3401; a cash deficit estimated to last beyond the current fiscal year or the first half of the subsequent fiscal year; or failure to pay debt service, payroll, employee benefits, or interstate compact payments. A control period ends when the Financial Responsibility Authority determines, after consultation with the District Inspector General, that the District has adequate and reasonable access to short term and long term credit markets, and that for four consecutive fiscal years the District has not operated at a deficit. The Financial Responsibility Authority suspends all activities upon the later of (1) 12 months after all borrowings by the Financial Responsibility Authority for the use of the District, and by the District from the US Treasury pursuant to DC Code 47-3401 have been discharged, or (2) the expiration of the control year in which a control period ends and in which (1) above occurs. Between the end of a control year and suspension of activities, the Financial Responsibility Authority reviews and comments upon the budget, monitors financial status, and satisfies its responsibilities for debt it issued.

A. CONTROL PERIOD

The District entered a control period and the Financial Responsibility Authority was activated on April 17, 1995 by Public Law 104-8 Sec. 210(c). Fiscal year 1997 was a control year. Special conditions of a control period and year are described below and in the Basis of Budgeting section.

All acts passed by the Council in a control year, along with a fiscal impact statement, must be submitted to the Financial Responsibility Authority. It has seven days after submission (excluding Saturdays, Sundays, and legal holidays) within which to review such legislation, a period which can be extended for an additional seven days (excluding Saturdays, Sundays, and legal holidays). The Financial Responsibility Authority may disapprove a Council act if it determines that the Council act is significantly inconsistent with the financial plan and budget. The District may not borrow funds during a control year without the prior consent of the Financial Responsibility Authority. The proceeds of the annual federal payment, borrowings by the District, and borrowings by the Financial Responsibility Authority for the use of the District are deposited into escrow accounts held by the Financial Responsibility Authority and allocated to the District in such amounts and at such times as the Financial Responsibility Authority considers to be consistent with the financial plan and budget. The Financial Responsibility Authority has not borrowed any funds as of September 30, 1997.

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The Financial Responsibility Authority may at any time submit recommendations to the District, President or Congress to ensure compliance with a financial plan and budget or otherwise promote the financial stability, management responsibility, and service delivery efficiency of the District. If the District determines not to adopt a recommendation that is within the power of the District, the Financial Responsibility Authority may "take such action concerning the recommendation as it deems appropriate, after consulting with the Committee on Governmental Reform and Oversight of the House of Representatives and the Committee on Governmental Affairs of the Senate" (Public Law 104-8 Sec. 207(c)(1)).

In addition, the Financial Responsibility Authority may at any time issue such orders, rules or regulations as it considers appropriate to carry out the purposes of Public Law 104-8 and the amendments made thereby, to the extent that the issuance of such an order, rule, or regulation is within the authority of the Mayor or the head of any department or agency of the District government. Any such order, rule or regulation is legally binding to the same extent as if issued by the Mayor or the head of any such department or agency, and the Financial Responsibility Authority's decision to issue such an order, rule or regulation is final and not subject to judicial review (Public Law 104-8 Sec. 204(d)).

B. FINANCIAL REPORTING ENTITY

A financial reporting entity consists of a primary government and its component units. The primary government is the District, which consists of all the organizations that make up its legal entity. The lottery, unemployment compensation and retirement programs are not legally separate organizations and their financial data are included with the financial data of the primary government. The Water and Sewer Fund was presented as part of the primary government in 1996, but is shown as a discretely presented component unit in 1997 due to a change in its governance structure.

Component units are legally separate organizations for which the elected officials of the District are financially accountable. The Financial Responsibility Authority is an entity of the District government with a Federally appointed board and was created to provide temporary fiscal assistance to alleviate the District's fiscal distress. The District is not financially accountable for and exercises no control over the Financial Responsibility Authority. Generally accepted accounting principles (GAAP) require the presentation of the Financial Responsibility Authority as a blended component unit of the primary government because it was created primarily to alleviate the fiscal distress of the General Fund. The general hospital, water and sewer utility, convention center, sports commission, housing finance and university are discretely presented component units, are reported separately from the primary government, and are proprietary fund types. Accountability exists because the governing bodies of all the component units, except for water and sewer, are appointed by the Mayor with the advice and consent of the Council. Accountability exists for water and sewer because a majority of the board is appointed by the Mayor with the consent of the Council, and only those board members may vote on retail water and sewer rates. In addition, the District has an obligation to provide financial support to the general hospital, housing finance and university. The District must approve certain financial transactions of the convention center and sports commission, and certain tax revenues are dedicated to these organizations. Condensed financial statements for each of the discretely presented component units and sources of complete financial statements are presented in Note 7.

The District of Columbia Housing Authority is a legally separate organization that provides and maintains quality public housing in the District. Accountability exists because the housing authority is governed by seven commissioners appointed by the Mayor with the consent of the Council. However, financial accountability does not exist because the District does not impose its will on, or have a financial benefit or burden relationship with, the housing authority. The housing authority was placed into a three year receivership for deficiencies in performing its mission by a May 19, 1995 order of the Superior Court of the District of Columbia. Transactions between the housing authority and the District are presented in Note 7.

The Washington Metropolitan Area Transit Authority is a tax exempt joint venture created in 1967 by compact among Maryland, Virginia and the District. The transit authority is responsible for the construction, financing and operation of mass transit facilities in the counties of Montgomery and Prince George's in Maryland, the counties of Arlington and Fairfax and the cities of Alexandria, Fairfax and Falls Church in Virginia, and the District. The transit authority is a public corporation which is governed by a board consisting of six directors, two each representing Maryland, Virginia and the District. The District's directors are appointed by the Council. The transit authority does not have any stockholders, has no taxing power and is not subject to regulatory approval of its fare schedules. The participants are required to provide a stable and reliable source of revenues to finance their ongoing financial responsibility to the transit authority (DC Code 1-2465). The revenues allocated by the District to the transit authority are motor vehicle registration fees; traffic fines; motor vehicle excise taxes; parking meter fees; sales taxes on parking lots, hotel rooms, rental vehicles, restaurant food and drinks; motor fuel taxes; and Federal grants for operating expenses of the transit authority. Transactions between the transit authority and the District are presented in Note 7.

C. BASIS OF PRESENTATION

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is a separate entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in governmental funds because they are not current financial resources and liabilities.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all of the District's general activities. The General Fund is used to account for all activities of the general government not accounted for in some other fund, including the collection and disbursement of earmarked moneys and the servicing of general long term debt. The special revenue fund is used to account for the operations of the Financial Responsibility Authority. The Capital Projects Fund is used to account for the purchase or construction of fixed assets financed by operating transfers, capital grants or general long term debt.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The enterprise fund is used to report the operations of the Lottery and Games Fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the District. When these assets are held under the terms of a formal trust agreement, either a pension trust fund or an expendable trust fund is used. The term "expendable" refers to the fact that the District is not under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the District holds on behalf of others as their agent, including amounts held in escrow by the Financial Responsibility Authority for the benefit of the District.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds, pension trust funds and discretely presented component units are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) of proprietary fund types is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (revenues) and decreases (expenses) in net total assets. Operating statements of pension trust funds present additions and deductions in plan net assets.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is, when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property taxes are considered as available if they are collected within 60 days after year end. A one year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal on general long term debt is recorded as a fund liability when due. Current interest on general long term debt is recorded as a fund liability when the amount has been incurred through the passage of time.

Those revenues susceptible to accrual are property taxes, sales and use taxes, income and franchise taxes, gross receipts taxes, interest and grants and other reimbursable revenues. Property taxes are recognized as revenue in the tax year for which they are levied, provided they are available. Sales and use taxes are recognized as revenue when the sales or use take place. Income taxes are recognized as revenue when the income is earned by the taxpayer, less an accrual for probable refunds. Franchise and gross receipts taxes are recognized as revenue when the related income is earned by the taxpayer. Interest is recognized as revenue through the passage of time. Licenses and permits, fines and forfeits, charges for services, and other taxes generally are not susceptible to accrual because they are not measurable until received in cash.

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The accrual basis of accounting is utilized by proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The pension trust funds recognize revenues from participants in the period in which contributions are due, revenues from District contributions when due and a formal commitment has been made, and expenditures for benefits and refunds when due and payable. Proprietary activities do not apply Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

The District reports deferred revenue in the accompanying balance sheet. Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant moneys are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Real property taxes are levied as of October 1 on property values assessed as of the preceding January 1. The tax levy is due and collectible in two equal installments on March 31 and September 15. On these dates, the bill becomes delinquent and penalties and interest may be assessed by the District. Real property taxes attach as an enforceable lien on property as of October 1 of the year after levy.

E. BASIS OF BUDGETING

In a period other than a control period, about February 1 of each year, the Mayor submits to the Council a total resources budget of the General Fund for the fiscal year commencing the following October 1. The Council holds public hearings and adopts the budget through passage of a budget request act. The Mayor may not forward and the Council may not adopt any budget in which expenditures and other financing uses exceed revenues and other financing sources. However, for fiscal years 1996 and 1997 the Mayor may submit and the Council may adopt a budget that makes continuous, substantial progress toward a balanced budget. A project-length financial plan is adopted for the Capital Projects Fund. About April 1 of each year, the Mayor approves the adopted budget and forwards it to the President of the United States for review. About April 15 of each year, the President submits the reviewed budget to Congress which conducts public hearings and enacts the budget and the authorized Federal payment in lieu of taxes through passage of an appropriation law.

This process is replaced by the following process during a control period. By February 1 the Mayor submits a budget for the next fiscal year and a financial plan for the following three years to the Financial Responsibility Authority for its approval. The Financial Responsibility Authority has a 30 day period to disapprove. If disapproved, the Mayor has 15 days to submit a revised financial plan and budget to the Financial Responsibility Authority for a 15 day period to disapprove. The Mayor submits the approved financial plan and budget, or, if disapproved, the Mayor submits the revised financial plan and budget and the Financial Responsibility Authority submits a recommended financial plan and budget to Council for a 30 day review period. The Council financial plan and budget act is submitted to the Financial Responsibility Authority for a 15 day period to disapprove. If disapproved, the Council has 15 days to submit a revised financial plan and budget act to the Financial Responsibility Authority for a 15 day period to disapprove. The Mayor submits by June 15 the approved financial plan and budget request act, or, if disapproved, the Mayor submits the revised financial plan and budget request act and the Financial Responsibility Authority submits a recommended financial plan and budget to the President of the United States for review, submission to Congress and enactment.

The legally adopted budget is the annual appropriation public law (appropriation act) enacted by Congress and signed by the President. The appropriation act authorizes expenditures at the function level. A revision that alters the total expenditures of any function must be enacted by Congress unless otherwise authorized by an act of Congress.

The District may request a revision to the appropriated expenditure amounts in the appropriation act by submitting to the President and Congress a request for a supplemental appropriation act. During a control period, the Mayor may submit proposed revisions to the financial plan and budget during the year by following the same procedures as for the initial budget submission, except that the initial review period by the Financial Responsibility Authority is 20 days instead of 30 and that a revision that does not increase the amount of spending with respect to any function is effective unless disapproved by the Financial Responsibility Authority or Congress. In 1997 the District did not submit a supplemental budget request act.

The District may reallocate budget amounts within functions in accordance with District policies contained in the Reprogramming Policy Act (DC Code 47-361). The appropriated budget amounts in the budgetary statement (Exhibit 3) include all approved reallocations. Appropriated actual expenditures and uses may not legally exceed appropriated budgeted expenditures and uses at the function level as shown on the budgetary statement. An unfavorable variance in the budgetary statement for a function of expenditure or use is a violation of the Anti-Deficiency Act (31 U.S.C. 1341).

Pursuant to relevant legislation (Public Laws 104-8 and 104-194) the Financial Responsibility Authority has authorized and enacted certain revisions to the original budget as reflected in Exhibit 3, General Fund - Statement of Revenues, Expenditures and Reconciliation of Budgetary Basis with GAAP Basis. The Financial Responsibility Authority is aware that other interpretations may exist concerning its legal authority to have authorized certain of the aforementioned revisions; specifically, that it is precluded from increasing expenditure authorizations in an amount greater than for amounts that will be fully reimbursed under federal or other grants. Furthermore, the budget item Public Law 104-194 Deficit Target (Additions) Deductions may only be applied to the original budget as expenditure reductions, rather than revenue enhancements. Under this interpretation, expenditure budget revisions reflected on Exhibit 3 would have been \$148,328 rather than the Financial Responsibility Authority enacted revisions of \$196,381. The revised budgeted expenditures would have been \$4,548,724 compared to the reported \$4,465,019 budget basis actual expenditures. The Financial Responsibility Authority believes, based on the advice of counsel, that it has acted within its legal authority with respect to enacted budget revisions. The Financial Responsibility Authority will contest any legal challenge that may be asserted in this matter.

The appropriation act specifies expenditures and net surplus or deficit of revenues. The appropriation act does not specify revenue amounts. Rather, the legally adopted revenue budget is based on the revenue estimates submitted to the President and Congress as modified by the legislative history. For 1997, the appropriation act contained an implicit expenditure reduction of \$3,497. The budgetary schedule (Exhibit 3) shows Revenues and Sources as presented in the Committee Reports (House 104-689 and Senate 104-328), Expenditures and Uses and budgeted deficit as contained in the appropriation act (PL 104-194). This implicit reduction results from the committee reports including as an expenditure the planned transfer from the Treasurer's pool to separate accounts of the Water and Sewer Authority of \$21,500 of cash reported in the Water and Sewer Unit, and a decrease of \$24,997 in the budgeted deficit from the deficit proposed by the District. The former is presented on the budgetary schedule with expenditures and uses and the latter is presented as PL 104-194 Deficit Target (Additions) Deductions.

The annual appropriated budget is enacted on a basis that is not consistent with generally accepted accounting principles (GAAP) because of differences that result from budgeting inventory, Medicaid (through 1996), certain pension and other employee benefits, and other expenditures on a cash basis, and budgeting dedicated tax revenues to the benefiting fund rather than to the fund with the authority to levy and collect the tax. The budgetary general fund differs from GAAP by including the Financial Responsibility Authority special revenue fund and the University discretely presented component unit and by excluding the Office of Cable Television and Correctional Industries. The Financial Responsibility Authority recognizes budgetary expenditures when orders and contracts are issued rather than when goods and services are received. All annual appropriations lapse at year end.

Encumbrances represent commitments related to unperformed contracts for goods or services. Purchase orders and contracts are recorded to reserve that portion of the applicable appropriation in the governmental funds. Encumbrances generally lapse at year end in the General Fund but not in the special revenue fund or the Capital Projects Fund. Encumbrances outstanding at year end in the special revenue fund and the Capital Projects Fund do not constitute expenditures or liabilities because the commitments will be honored during a subsequent year. The fund balance is "reserved for encumbrances" to indicate the portion that is available for expenditure upon vendor performance.

F. CASH AND INVESTMENTS

Cash from all funds of the primary government, excluding the Financial Responsibility Authority, is combined unless prohibited by law. The cash management pool is considered to be cash because it is used as a demand deposit account by each fund. When one fund overdraws its share of the pooled cash, that fund reports a liability to the General Fund which is deemed to have loaned the cash to the overdrawn fund. The General Fund reports a receivable from the overdrawn fund.

Any cash which is not needed for immediate disbursement is used to purchase investments. The law (DC Code 47-341) authorizes the District to invest directly or through repurchase agreements in obligations of the United States or its agencies which are backed by the full faith and credit of the Federal government. Such investments are considered to be the equivalents of cash because they are readily convertible into cash and may be held for not more than 91 days after purchase. The Pension Trust Funds and the Deferred Compensation Agency Fund are authorized to invest in fixed income, equity securities and other types of investments.

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Investments are stated at cost, except for investments in the pension trust funds and the Deferred Compensation Agency Fund. The Deferred Compensation Agency Fund states investments at market value. The pension trust funds state investments at estimated fair value, with short term investments stated at cost (which approximates market), securities traded on an exchange stated in US dollars at the last reported sales price, and all other investments at estimated fair value.

G. RECEIVABLES AND PAYABLES

Taxes receivable are taxes levied by the District and interest and penalties on delinquent taxes which have not been collected, canceled or abated, less the portion of the receivables estimated not to be collectible. Accounts receivable/payable are amounts owed by/to customers or vendors for goods and services sold or purchased. Intergovernmental receivables/payables are amounts owed by/to other governments, except for goods and services. Intragovernmental receivables/payables or transfers in/out are amounts owed or conveyed between the primary government and its discretely presented component units. Interfund receivables/payables or transfers in/out are amounts owed or conveyed between funds in the primary government. Amounts due within one year are classified as current receivables/payables in the balance sheet. Amounts due after one year are classified as long term receivables/payables. The fund balance is "reserved for long term assets" to indicate the portion that is not available for expenditure within one year.

H. INVENTORIES

Inventories of supplies on hand at year end are stated at cost (generally using the weighted average method). Supplies are recorded as inventory when purchased and as expenditures/expenses when they are consumed or sold. Inventories of food stamps and corresponding deferred revenue are stated at face value.

I. PREPAID AND DEFERRED CHARGES

Payments in advance of the receipt of services are capitalized as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related services are received.

In governmental fund types, bond discounts (premiums) and issuance costs are recognized in the current period as interest and fiscal charges, respectively. In proprietary fund types, bond discounts (premiums) and issuance costs are capitalized as deferred charges and amortized as fiscal charges over the term of the bonds.

Refunding charges include bond discounts (premiums), issuance costs and payments to escrow agents, less payments to escrow agents made from resources other than proceeds of refunding bonds, and less the face amounts of the refunded bonds. In governmental fund types, refunding charges are recognized in the period of refunding.

J. FIXED ASSETS

General fixed assets are not capitalized in the governmental fund types. Instead, capital outlays are reflected as expenditures in those funds and the related assets are reported in the General Fixed Assets Account Group. Proprietary fixed assets are capitalized in the funds which utilize the assets. All purchased fixed assets are stated at cost where historical records are available and at estimated historical cost where no historical records exist. Assets acquired through capital leases are stated at the lesser of the present value of the lease payments or the fair value of the asset at the date of lease inception. Donated fixed assets are stated at their estimated fair market value on the date received. The costs of maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. Betterments are capitalized and depreciated over the remaining useful lives of the related fixed assets. Public domain (infrastructure) improvements, such as bridges, curbs, gutters, lights, sidewalks, streets, and similar assets, that are immovable and of value only to the District, are capitalized as improvements.

Depreciation of general fixed assets is accumulated in the General Fixed Assets Account Group and no expenditure is reported for this amount in the governmental fund types. Depreciation of proprietary fixed assets is reported as an operating expense in the funds which utilize the assets. Depreciation on proprietary fixed assets acquired through capital grants is closed to Contributed Capital and reported in the operating statements as an adjustment to net income (loss).

Depreciation is computed using the straight line method over the following estimated useful lives of the fixed assets.

Improvements	30 years
Utility plant	60 years
Building	30-50 years
Equipment	3-15 years
Transit system investment	33 years

Interest is capitalized in proprietary fund types on assets constructed with long term debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred on tax-exempt debt from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

K. RESTRICTED ASSETS AND LIABILITIES

All assets of fiduciary funds are restricted as to use by legal or contractual requirements. The Capital Projects Fund includes certain assets and liabilities arising from dedicated taxes that are legally restricted for certain highway projects. Any excess of restricted assets over liabilities payable from restricted assets is reported as "reserved for net restricted assets" to indicate the portion of the fund balance that is available for the restrictive purposes only.

L. COMPENSATED ABSENCES

Accumulated annual (vacation) leave of governmental funds that is expected to be used by the end of the current calendar year is reported as an expenditure and liability of the General Fund. Accumulated annual leave that is expected not to be used by the end of the current calendar year is reported in the General Long Term Liabilities Account Group. Accumulated annual leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Unused sick leave is credited at the rate of 22 days equal one month of service at the time of retirement and is added to years of service in the Civil Service Retirement System and in the District Retirement Program.

Accumulated compensatory leave in lieu of paid overtime is reported in the General Long Term Liabilities Account Group for governmental funds or in the individual fund for proprietary funds.

M. LONG TERM LIABILITIES

Long term debt payable by the General Fund is recognized as a fund liability when due. Other general long term liabilities are reported as liabilities of the General Fund when incurred, with five exceptions. Pension cost, disability compensation, compensated absence, employee separation incentive, and accreted interest liabilities that have been incurred but not financed are reported in the General Long Term Liabilities Account Group and no expenditures for these amounts are reported in the General Fund. Long term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term general obligation debt to exceed 14% of the revenues of the fiscal year in which the debt is issued.

Capital appreciation bonds are issued with a stated interest rate of zero percent. The interest is not paid until the bonds mature. To provide full disclosure, the interest is accreted over the lives of the bonds in the General Long Term Liabilities Account Group.

The District entered into interest rate swap agreements to modify interest rates on outstanding variable rate general obligation bonds. Other than the net interest expenditures resulting from these agreements and bonds, no amounts are recorded in the financial statements.

The District has issued private activity bonds whose principal and interest are payable solely from defined revenues of private entities. These bonds provide economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the economic base of the District. As of September 30, 1997, the bonds had an outstanding aggregate principal amount of \$1,597,698 and are not recorded as a liability of the District.

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Each intergovernmental note issued to the Federal government contains a call provision which grants the District the right to redeem the note before its scheduled maturity date without a premium. Each general obligation bond issued to the public contains a defeasance provision which allows the District to legally satisfy the debt and obtain a release without retiring the bond.

N. SHORT TERM DEBT

During the year, the District issued \$190,800 of general obligation tax revenue anticipation notes with a stated interest rate of 4.50% and a net interest cost of 5.71%. The principal and interest were paid on September 30, 1997 by the General Fund.

During the year, the District issued \$74,000 of general obligation notes with a stated interest rate of 3.98% through September 30, 1997 and at a variable rate (not to exceed 12.00%) thereafter until redeemed in 1998.

During the year, the District paid \$379,000 of short term notes issued in 1996 to the Federal government and issued \$223,100 with interest rates from 5.56% to 5.73%. The principal and interest were paid in October 1997 by the General Fund.

O. ACCOUNTING CHANGES AND RESTATEMENTS

In 1997, the District adopted Governmental Accounting Standards Board Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, which changed certain reporting and disclosure requirements.

In 1997, the District adopted Governmental Accounting Standards Board Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, which changed certain accounting and disclosure requirements. The 1997 impact was to increase Cash and Investments and Accrued Liabilities of the pension trust funds by \$731,346 and to increase interest expenses incurred under securities lending transactions by \$22,871, and 1996 net assets held for benefits was not affected.

In 1997, the District adopted Governmental Accounting Standards Board Interpretation No. 2, Disclosure of Conduit Debt Obligations, which changed disclosure requirements.

During 1997, the District reviewed certain tax receivable balances of the General Fund and made the necessary corrections to the previously reported September 30, 1996 balances by increasing Deferred Revenue by \$49,352 decreasing Taxes Receivables by \$15,779 and decreasing Unreserved Fund Balance by \$65,131.

In 1997 the District corrected its inventory of real property recorded in the General Fixed Assets Account Group to reflect properties previously omitted. The correction resulted in restating September 30, 1996 balances previously reported by increasing Property and Equipment by \$922,985, Accumulated Depreciation by \$528,120 and Resources Invested by \$394,865.

In prior periods, the District valued the Water and Sewer Unit fixed assets at the amount financed by District resources, net of related accumulated depreciation. Certain other sewer systems in the metropolitan area also contributed towards the cost of the District's sewage treatment facility in exchange for use of a stipulated percentage of its capacity. In 1997 the District changed its valuation methodology to include those contributions as fixed assets, net of related accumulated depreciation, and to record them as deferred revenue to be amortized over the life of the related fixed assets. In 1997 the District has restated the previously reported September 30, 1996 balances of the Water and Sewer Unit by increasing deferred revenue by \$319,022, increasing Property and Equipment by \$421,377 and increasing Accumulated Depreciation by \$102,355.

In 1997, the separate financial statements of the Water and Sewer Unit included certain other restatements to previously reported prior year amounts. The District has restated the previously reported September 30, 1996 balances by increasing Inventory and Retained Earnings by \$4,466.

Other prior year amounts have been restated for comparability with current year changes.

P. TAXPAYER AND REVITALIZATION ACTS

The Taxpayer Relief Act of 1997 (PL 105-34) (the Relief Act) provides Federal tax and other incentives to stimulate economic development in the District. The Relief Act establishes the District of Columbia Enterprise Zone (Enterprise Zone) from January 1, 1998 through December 31, 2002. The Enterprise Zone will consist of the existing enterprise community plus all other census tracts for which the poverty rate is at least 20%. The Relief Act increases the limitation on tax-exempt economic development bonds to \$15,000 and eliminates the Federal capital gains tax through December 31, 2007, on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%. The Relief Act provides a maximum \$5 thousand Federal income tax credit through December 31, 2000 for qualified first time home buyers.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (PL 105-33) (Revitalization Act) makes significant changes effective on October 1, 1997 to the Charter of the District with the objectives of revitalizing the District as the Nation's Capital and improving the prospects for home rule to succeed. The changes impact the functions, management and financial condition of the District.

Public Safety

The Revitalization Act transfers certain public safety functions from the District to the Federal government.

The Federal Bureau of Prisons will be responsible for sentenced adult felons. By October 1, 2001, felons sentenced consistent with Federal Truth-in-Sentencing guidelines will be transferred to a facility operated or contracted by the Bureau of Prisons. By December 31, 2001 the District's Lorton Correctional Complex in Virginia will be closed and the property returned to the Federal government. During the transition period, the Department of Corrections will be overseen by a Corrections Trustee appointed by the US Attorney General in consultation with the Mayor, Council, Financial Responsibility Authority, and representatives of the DC judiciary. The expenditures of the Corrections Trustee are provided by a direct appropriation to the trustee of Federal dollars. The District will continue to provide correctional treatment for juvenile and misdemeanor offenders. The District projects that the cost for the non-felony population will be between \$50,000 and \$60,000 annually for 1998 through 2001, compared to current expenditures of approximately \$250,000 per year. The District further projects incurring about \$30,000 annually over the same period for felony population expenditures in excess of planned Federal outlays. Analyses of overhead cost allocations for the felony and non-felony populations could impact these projections, along with other factors.

The Superior Court, Appeals Court and Court System will be transferred to the Federal government and included in the Federal budget of the Joint Committee on Judicial Administration in the District of Columbia.

The Federal government will assume financial responsibility for the DC Parole Board, Pretrial Services Agency and Public Defender Service functions. During 1998, the United States Parole Commission will assume responsibility to grant, deny, or impose conditions on parole for imprisoned felons. By September 30, 2000, a new Federal agency, the DC Offender Supervision, Defender and Courts Services Agency, will supervise offenders on probation, parole, and supervised release. Upon establishment of this agency, the DC Parole Board will be abolished. The Pretrial Services Agency and the Public Defender Service will function as independent entities within the new agency. During the transition, these functions will be supervised by an Offender Supervision Trustee, whose expenditures will be provided by a direct appropriation to the trustee of Federal dollars.

The Judicial subfunction of Public Safety and Justice had expenditures of \$125,326 and \$120,926 and revenues of \$9,414 and \$9,155 in 1997 and 1996, respectively.

Management Reforms

The Revitalization Act directs the Financial Responsibility Authority and the District to develop and implement management reform plans in nine key departments and four District-wide functions, with the studies to be completed no later than January 31, 1998. Management Reform Teams to implement the reform plans will be composed of the Financial Responsibility Authority Chairman, the Council Chairman, the Mayor, and, for a departmental reform, the department director.

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During a control year, the directors of those nine departments will be nominated by the Mayor with the approval of the Financial Responsibility Authority, will report to the Financial Responsibility Authority and can be removed only by the Financial Responsibility Authority. The departments are Administrative Services, Consumer and Regulatory Affairs, Corrections, Employment Services, Fire and Emergency Medical Services, Housing and Community Development, Human Services, Public Works and Public Health. Under the terms of the Revitalization Act, the director position in each of these departments was deemed to be vacant upon enactment. The four District-wide functions are information resources management, personnel, procurement and asset management.

Financial Reforms

The Revitalization Act makes several changes that impact the overall financial condition of the District, affecting both revenues and expenditures.

The Revitalization Act repeals the authorization for the annual Federal payment in lieu of taxes that was \$665,702 in 1997 and \$660,000 in 1996. The payment is replaced by a \$190,000 Federal contribution in 1998 and an authorization for such amounts thereafter "as may be necessary" to reflect restrictions and unusual costs imposed on the District by the Federal government.

The debt service limitation is increased to 17% from 14% of defined revenues and technical corrections are made to the revenue base calculation. This reflects the decrease in revenues from the repeal of the Federal payment in lieu of taxes and the loss of court revenues.

The Federal participation rate for the Medicaid program is increased to 70% from 50% for services provided on or after October 1, 1997 (Public Law 105-33). While not providing parity for the District with other cities in the nation, it allows the District to redirect the decreased local participation to other expenditure priorities. The estimated increase in Federal funding for 1998 is \$136,000.

With the transfer of the judicial function to the Federal government, the District Retirement Program covering judges will also be transferred to the Federal government and the Federal government will assume full responsibility for the plan. All assets of the Judges Pension Trust Fund will be transferred to the Federal government.

In addition the Federal government will assume full responsibility for benefits under the District Retirement Program for the pensions of teachers, police officers and fire fighters for service rendered prior to July 1, 1997. The District remains responsible for benefits for services rendered after June 30, 1997, and has revised the plan provisions, as required by the Revitalization Act, that continues the plan under substantially the same terms. Of the assets associated with these plans, the Pension Trust Funds retain \$1,275,000 plus contributions made after June 30, 1997 by employees and interest thereon. The remainder of the assets will be transferred to the Federal government.

This change in the Retirement Program recognizes the adverse impact placed on the financial condition of the District when the Federal government transferred the retirement plans and an unfunded actuarial liability of \$1,900,000 to the District at home rule. Starting in 1980 the Federal government committed to make 25 annual contributions of \$52,070 which had a present value of \$486,800 at inception. The authorization for the remaining Federal contributions was repealed by the Act. Further, this change will relieve the District from financing the \$3,487,998 accrued pension cost that is recorded as a long term liability for prior service by participants. The District estimates that this change will decrease required pension contributions for the District Retirement Program by \$250,000 in 1998 and that the decrease will continue into future years.

The Act authorizes borrowing up to \$500,000 to finance the accumulated General Fund deficit as of September 30, 1997. The Act further authorizes the District to borrow not more than \$300,000 from the US Treasury through 2000 to finance that accumulated deficit provided that the borrowing is "provided in advance in annual appropriation acts." the District is effectively unable to reasonably obtain financing in the private market and other conditions are met.

Q. FUTURE CASH POSITION AND RESULTS OF OPERATIONS

The District has encountered pooled cash shortfalls in recent fiscal years and projects that the shortfall will start to diminish in 1998. As a result of the Revitalization Act, the District's 1998 cash flows will differ from 1997 in several ways. The most significant differences are the loss of the \$660,000 annual Federal payment, receipt of a \$190,000 Federal contribution, and the assumption by the Federal government of certain governmental functions and expenditures. In addition, the Revitalization Act imposes budgetary restraints, including a requirement that the District have a balanced budget in 1998. Note 1.P discusses the Revitalization Act in more detail.

The District is projected to have a cash deficit of about \$300,000 during 1998. To cover these projected cash flow needs, the District issued general obligation tax revenue anticipation notes of \$350,000 in October 1997 and \$50,000 in November 1997 to be repaid in 1998. The District projects having sufficient cash from operations to repay \$300,000 of the notes, and anticipates issuing \$100,000 of intermediate term deficit bonds to repay the balance of the notes and for liquidity needs.

The General Fund had a fund balance deficit at September 30, 1997. The 1998 appropriation act (Public Law 105-100) budgets a \$201,900 surplus to be used for deficit reduction, capital expenditures, and management and productivity improvements. The law also specifies that \$30,000 of the Federal contribution is to be used for deficit reduction. In January 1998, the Financial Responsibility Authority stated that approximately \$185,000 will be spent on management initiatives. The Revitalization Act provides borrowing authority to allow the District to finance the accumulated deficit.

The General Hospital Unit had a retained deficit at September 30, 1997. The overall cash flow trend for the past three years is positive; however, the hospital owes \$85,000 to the General Fund for cash advances through 1994. The General Fund has fully reserved the corresponding receivable. The District of Columbia Health and Hospitals Public Benefit Corporation was created by DC Law 11-212 to manage and control the General Hospital and the community health clinics and certain services for the chronically ill provided by the Department of Human Services. The Corporation will be operational in 1998.

NOTE 2. CASH AND INVESTMENTS**A. CASH**

At year end, the carrying amount of the deposits was \$208,298 for the primary government and \$11,407 for the component units, and the bank balance was \$109,335 and \$21,923, respectively. As required by law and except as follows, the bank balance was entirely insured or collateralized with securities held by the District or by its agent in the District's name. The balance of an account for the joint benefit of the General Fund and the Convention Center Unit was not fully collateralized at September 30, 1997. On November 10, 1997 the District required that this account be fully collateralized.

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B. INVESTMENTS

The financial reporting entity's investments are categorized as either (1) insured or registered, with securities held by the District or its agent in the District's name or (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the District's name. Investments not evidenced by securities that exist in physical or book entry form are not categorized. Investments by type and category at September 30, 1997 follow.

Investment Type	Category		Carrying Amount	Market Value
	1	2		
PRIMARY GOVERNMENT:				
Pooled investments:				
Repurchase agreements	\$ 104,200	-	104,200	104,198
Subtotal	104,200	-	104,200	104,198
Pension Trust Funds:				
Investments - held by Board's agent in Board's name				
Cash and equivalents	219,052	-	219,052	219,052
Equities (of which \$9,638 on securities loan with securities and other collateral)	2,506,535	-	2,506,535	2,506,535
Fixed income security (of which \$57,567 on security loan with securities and other collateral)	1,348,982	-	1,348,982	1,348,982
Subtotal	4,074,569	-	4,074,569	4,074,569
Investments - not categorized:				
Investments - held by broker-dealer under securities				
Loans with cash collateral:				
Equities			521,561	521,561
Fixed income security			183,915	183,915
Securities lending collective investment pool			731,346	731,346
Subtotal			1,436,822	1,436,822
Total pension trust funds	4,074,569	-	5,511,391	5,511,391
Other:				
U.S. Government securities	215,305	1,320	216,625	216,624
Repurchase agreements	148,744	48,799	197,543	197,544
Corporate securities	51,248	10,600	61,848	61,848
Subtotal	415,297	60,719	476,016	476,016
Mutual Funds:				
Deferred compensation			230,557	230,557
Other			47,330	47,330
Total mutual funds			277,887	277,887
Total primary government	\$ 4,594,066	60,719	6,369,494	6,369,492
COMPONENT UNITS:				
Pooled investments:				
Repurchase agreements	3,008	-	3,008	3,008
Subtotal	3,008	-	3,008	3,008
Other:				
U.S. Government securities	94,288	180,140	274,428	282,884
Repurchase agreements	30,593	-	30,593	34,087
Corporate securities	5,998	-	5,998	5,998
Investment contracts			256,289	256,289
Subtotal	130,879	180,140	567,308	579,258
Mutual Funds			4,865	4,865
Total component units	\$ 133,887	180,140	575,181	587,131
Total reporting entity			\$ 6,944,675	6,956,623

C. DERIVATIVE INVESTMENTS

Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. Derivative investments generally contain exposure to market risk resulting from fluctuations in interest and currency rates. The investment credit risk results from the creditworthiness of the counterparties to the contracts and, for asset backed securities and collateralized mortgage obligations, the creditworthiness of the related consumers and mortgagees. The Retirement Board believes that all contracts are legally permissible in accordance with its policy.

During 1997, the Pension Trust Funds, in accordance with the policy of the Retirement Board, invested in various derivative instruments either to increase potential earnings or to hedge against potential losses. These included foreign currency forward contracts, mortgage backed security pools, collateralized mortgage obligations, asset backed securities and floating rate notes, interest only treasury securities, bond options and futures, and equity index futures.

Forward foreign currency contracts are used for defensive purposes only. These contracts hedge a portion (25% maximum) of the Funds' exposure to particular currencies on occasions when significant adverse short-term movements in exchange rate levels are expected. The foreign currency contracts can pose market risk when the maximum potential loss on a particular contract is greater than the value of the underlying investment. Market risks arise due to the possible movements in the foreign exchange rates underlying the forward currency contracts. Market risk is managed by only dealing with counterparties with short term credit ratings of A1 or P1.

The Funds use mortgage backed securities (MBS), forward contracts for mortgage backed securities (TBA-MBS), collateralized mortgage obligations (CMOs), asset backed securities (ABS), structured notes, and floating rate notes primarily to increase potential returns. Investing in an MBS is similar to investing in a pool of mortgage loans. An MBS offers investors higher yields with higher market risk compared to comparable US Treasury securities. A CMO may have higher or lower yields with less or more market risk than a comparable MBS. An ABS offers higher yields than comparable US Treasuries with additional market risk. Market risk is managed by monitoring the duration of the investments. Credit risk is managed by monitoring the collateral of each security and any related guarantee.

Forward contracts to purchase MBS (also referred to as TBA-MBS) are used by the Funds with the expectation of raising the effective yield on mortgage holdings versus holding an MBS outright. It is assumed that TBA-MBS positions have duration and convexity characteristics similar to those of an MBS with identical coupons and maturities. This ensures the portfolio's sensitivity to interest rate changes does not increase beyond that which is allowed by the Retirement Board's investment policies. TBA-MBS agreements carry a degree of counterparty risk, but is reduced to low levels by transacting only with primary dealers.

Floating rate notes (securities which pay an interest rate tied to an index) are subject to market risk to the extent of the movement of the underlying index. A downward movement in the underlying index would negatively impact the interest income received on this security. Upward movements in interest rates do not adversely affect floating rate notes as much as fixed rate securities. Thus, the floating rate notes may be used as a hedge against upward changes in interest rates.

Exchange traded and over the counter bond options were purchased during the year, primarily to gain exposure to underlying bond positions. All positions were purchases, limiting market risk to the cost of the option, and all options were sold or expired prior to year end. Credit risk is minimized by trading via exchanges and investment grade counterparties.

The Pension Trust Funds also hold derivative instruments indirectly by participating in mutual funds or investment pools that hold derivatives. Information regarding any risks associated with these holdings is generally not available. One equity index mutual fund has confirmed the use of stock performance index futures in its portfolio.

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At September 30, 1997 and 1996, the Pension Trust Funds portfolio included \$455,117 and \$329,249 of derivative instruments, or 8.3% and 8.8% of the pension investment portfolio, respectively. Derivative investments by type at September 30, 1997 follows. The proportion of derivative instruments varied at times throughout the year. Further information regarding balances throughout the year is not available.

Investment Instrument Type	Market Value
Mortgage backed security pools	\$ 118,612
Collateralized mortgage obligations	72,783
Asset backed securities	69,852
Floating rate notes	19,167
Mortgage backed securities forward contracts	180,505
Structured notes (including interest only treasury)	15,897
Foreign currency futures contracts, net (purchases \$106,123 and sales \$127,822)	(21,699)
Total derivatives	\$ 455,117

The Housing Finance Unit has derivative investments of \$179,110, primarily in mortgage backed securities.

D. SECURITIES LENDING TRANSACTIONS

The pension trust funds participate in securities lending transactions. During 1997, the Retirement Board loaned securities and received collateral in the form of currency, securities issued or guaranteed by the United States government and sovereign debt of Organization of Economic Cooperation and Development countries. The collateral could not be pledged or sold unless the borrower defaulted on the loan. The value of the collateral was at least 102% of the market value of the loaned securities if those securities were sovereign debt issued by a foreign government, denominated in United States dollars or their primary trading market was located in the United States. The value of the collateral was at least 105% of the market value of all other loaned securities.

Currency collateral was invested in an investment pool. At September 30, 1997, the investment pool had an average duration of 65 days. This average duration generally did not match the duration of the securities loans because the loans could be terminated on demand.

During 1997, the Retirement Board did not restrict the amount of loaned securities. No failure to return loaned securities or to pay distributions occurred during the year, and no losses were incurred from a default of a borrower. The Retirement Board and the borrowers had the right to terminate on demand the securities lending transactions. The pension trust funds had no credit risk exposure to borrowers as of year end. As of September 30, 1997, the pension trust funds held \$800,529 of collateral against \$772,682 of loaned securities.

NOTE 3. INTERNAL AND OTHER RECEIVABLES**A. INTERNAL RECEIVABLES AND PAYABLES**

Internal receivable and payable balances for each individual fund and unit at September 30, 1997 follow

Fund or Unit	Intragovernmental		Interfund	
	Receivables	Payables	Receivables	Payables
General	\$ 87,177	58,683	62,310	18,901
Financial Responsibility Authority	-	-	1,466	1,752
Capital Projects	-	-	154,708	-
Unemployment Compensation	-	-	3,163	136
Financial Responsibility Authority Agency	-	12,265	1,752	196,074
Pension Trust	-	-	-	11,743
General Hospital	-	85,000	-	-
Water and Sewer	54,902	-	-	-
Convention Center	4,066	-	-	-
Sports Commission	-	2,177	-	-
University	11,980	-	-	-
Subtotal	158,125	158,125	223,399	228,606
Less-uncollectible allowance	85,000	-	-	-
Net total	\$ 73,125		223,399	

B. OTHER RECEIVABLES

Taxes and accounts receivable are valued at their estimated collectible amount. A summary of these receivables follows.

	General Fund	Enterprise	Trust and Agency	Discretely Presented Component Units
Gross Receivable:				
Taxes	\$ 326,549	-	11,415	-
Accounts	151,840	2,814	26,694	168,362
Total gross receivable	478,389	2,814	38,109	168,362
Less: Allowance for uncollectibles	194,813	566	-	63,559
Total net receivable	283,576	2,248	38,109	104,803

42 ★ DISTRICT OF COLUMBIA**NOTE 4. FIXED ASSETS****A. GENERAL FIXED ASSETS BY CLASS**

A summary of changes in general fixed assets by asset class and resources invested follows.

Asset Class	Restated Balance October 1, 1996	Acquisitions	Transfers/ Dispositions	Balance September 30, 1997
Land	\$ 268,078	-	9,391	277,469
Improvements	1,912,000	-	89,275	2,001,275
Buildings	2,593,498	3,850	13,711	2,611,059
Equipment	338,654	17,120	(76,130)	279,644
Construction in progress	32,795	210,338	(235,979)	7,154
Transit system infrastructure	713,286	-	50,000	763,286
Total	5,858,311	231,308	(149,732)	5,939,887
Less-accumulated depreciation	2,385,134	168,122	(63,358)	2,489,898
Net general fixed assets	\$ 3,473,177	63,186	(86,374)	3,449,989
Governmental	\$ 2,663,416	23,576	(74,497)	2,612,495
Intergovernmental	809,761	39,610	(11,877)	837,494
Total resources invested	\$ 3,473,177	63,186	(86,374)	3,449,989

Acquisitions consist of expenditures from the General Fund (\$20,970) and from the Capital Projects Fund (\$210,338). When a project is completed, costs in the construction in progress account are transferred to one or more of the other asset classes or are removed.

B. GENERAL FIXED ASSETS BY FUNCTION

A summary of changes in general fixed assets by function follows.

Function	Restated Balance October 1, 1996	Acquisitions	Transfers/ Dispositions	Balance September 30, 1997
Governmental direction and support	\$ 801,179	1,777	(5,649)	797,307
Economic development and regulation	130,464	194	(2,945)	127,713
Public safety and justice	665,312	14,452	(11,848)	667,916
Public education system	770,120	1,860	(74,567)	697,413
Human support services	413,123	674	26,373	440,170
Public works	2,332,032	2,013	104,883	2,438,928
Construction in progress	32,795	210,338	(235,979)	7,154
Transit system infrastructure	713,286	-	50,000	763,286
Total	\$ 5,858,311	231,308	(149,732)	5,939,887

C. ENTERPRISE FUNDS FIXED ASSETS

A summary of changes in enterprise funds fixed assets by asset class and contributed capital follows.

Asset Class	Balance October 1, 1996	Acquisitions	Transfers/ Dispositions	Balance September 30, 1997
Equipment	\$ 6,484	20	(3,516)	2,988
Total	6,484	20	(3,516)	2,988
Less-accumulated depreciation	5,316	400	(3,516)	2,200
Net fixed assets	\$ 1,168	(380)	-	788

D. DISCRETELY PRESENTED COMPONENT UNITS FIXED ASSETS

A summary changes in discretely presented component unit fixed assets by asset class and contributed capital follows.

Asset Class	Restated Balance October 1, 1996	Acquisitions	Transfers/ Dispositions	Balance September 30, 1997
Land	\$ 37,817	1,897	-	39,714
Utility plant	1,418,561	-	13,161	1,431,722
Buildings	331,016	2,053	4,620	337,689
Equipment	145,012	2,957	(26,401)	121,568
Construction in progress	71,029	63,870	(22,231)	112,668
Total	2,003,435	70,777	(30,851)	2,043,361
Less-accumulated depreciation	673,480	40,044	(22,499)	691,025
Net fixed assets	\$ 1,329,955	30,733	(8,352)	1,352,336
Governmental	\$ 490,117	4,383	(13,191)	481,309
Intergovernmental	222,277	6,054	(4,117)	224,214
Total contributed capital	\$ 712,394	10,437	(17,308)	705,523

Acquisitions include \$1,048 from the Capital Projects Fund.

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E. CONSTRUCTION IN PROGRESS

A summary of construction in progress by function at September 30, 1997 follows.

Function	Number of Projects	Authorizations	Expenditures	Unexpended Balances
Governmental direction and support	5	\$ 50,632	2,674	47,958
Public safety and justice	7	11,499	2,128	9,371
Public education system	1	7	7	-
Human support services	3	5,987	358	5,629
Public works	10	29,735	1,987	27,748
Total general	26	\$ 97,860	7,154	90,706
Water and sewer	19	\$ 233,858	95,423	138,435
Convention center	2	16,882	16,882	-
General hospital	1	1,237	363	874
Total component units	22	\$ 251,977	112,668	139,309

NOTE 5. LONG TERM LIABILITIES

A. LONG TERM DEBT

Long term debt of the primary government at year end was comprised of 82 original 30-year serial intergovernmental notes payable to the Federal government, with interest rates from 3.88% to 6.38%; and 9 original (\$1,173,703), 10 refunding (\$1,950,012) and 1 funding (\$193,300) issues of 5 to 20 year serial/term general obligation bonds payable to the public, with interest rates from 4.10% to 7.50%. These bonds are secured by the full faith and credit of the District and by deposits with banks of a special real property tax for payment of bond principal and interest. At year end, cash and investments with fiscal agents for 1998 debt service payments were \$175,542.

During the year, the District issued \$82,270 of general obligation refunding bonds. The proceeds, plus the \$806 bond premium, were used to pay issuance costs of \$1,028 and to legally defease general obligation bonds payable of \$81,365 by purchasing and escrowing \$82,844 of United States government securities. The refunding reduced future debt service payments by \$770 (\$671 from the general fund and \$99 from the water and sewer unit), and gave rise to an economic gain of \$987 (\$822 to the primary government and \$165 to the water and sewer unit) resulting from reduced future interest payments. The effective interest rate for the bonds was 5.64%.

During the year, the District legally defeased \$3,460 of general obligation bonds associated with constructing the Correctional Treatment Facility by purchasing and escrowing \$3,511 of United States government securities.

A summary of changes in long term debt follows.

	Component		General		Total
	Notes	Bonds	Notes	Bonds	
Debt payable at October 1, 1996	\$ 11,570	292,149	50,750	2,915,006	3,269,475
Bond proceeds:					
Series 1996A (improving)	-	-	-	170,580	170,580
Series 1997A (improving)	-	-	-	155,540	155,540
Series 1997A (refunding)	-	10,567	-	71,703	82,270
Total	11,570	302,716	50,750	3,312,829	3,677,865
Debt payments:					
Principal matured	1,428	20,307	11,044	196,858	229,637
Principal refunded	-	10,451	-	70,914	81,365
Debt payable September 30, 1997	10,142	271,958	39,706	3,045,057	3,366,863
Less-current maturities	1,326	20,325	-	-	21,651
Long term debt	\$ 8,816	251,633	39,706	3,045,057	3,345,212

A summary of principal and interest requirements to maturity of general long term debt payable follows.

Year Ending September 30	Component		General		Total
	Principal	Interest	Principal	Interest	
1998	21,651	15,824	219,368	171,232	428,075
1999	20,823	14,500	226,855	165,283	427,461
2000	22,567	13,268	234,034	156,034	425,903
2001	24,498	12,008	241,237	143,942	421,685
2002	27,172	10,677	255,965	124,749	418,563
2003-2007	124,766	31,176	1,104,347	412,309	1,672,598
2008-2012	39,699	6,053	523,099	181,082	749,933
2013-2016	924	63	279,858	172,939	453,784
Total	282,100	103,569	3,084,763	1,527,570	4,998,002

A summary of principal requirements to maturity of the long term debt of the Housing Finance Unit follows.

Year Ending September 30	Principal
1998	\$ 51,869
1999	6,469
2000	4,839
2001	4,033
2002	5,353
Thereafter	572,112
Total	644,675

B. OTHER LONG TERM LIABILITIES

A summary of changes in other long term liabilities follows.

Account	Balance October 1, 1996	Additions	Deductions	Balance September 30, 1997
Component Unit:				
Construction contracts payable	21,527	-	868	20,659
Deferred revenue	-	321,237	-	321,237
Total	\$ 21,527	321,237	868	341,896
Enterprise:				
Prize annuities payable	\$ 96,340	27,922	44,692	79,570
General:				
Accrued pension cost	\$ 3,549,030	-	61,032	3,487,998
Accrued disability compensation	130,364	46,003	22,783	153,584
Accumulated annual leave	55,997	-	113	55,884
Accumulated compensatory leave	8,582	-	3,455	5,127
Deferred compensation	11,135	12,743	11,135	12,743
Accreted interest	29,196	6,622	-	35,818
Capital leases payable (note 9)	77,485	56,198	3,968	129,715
Hospitals construction	102	-	31	71
Total	\$ 3,861,891	121,566	102,517	3,880,940

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C. POSTEMPLOYMENT BENEFITS

The cost of providing postretirement health care and life insurance for employees hired before October 1, 1987 is borne by the Federal government and the District has no liability for this cost. Employees hired after September 30, 1987 who subsequently retire may be eligible to continue their health care benefit plan (DC Code 1-622) and to convert their group life insurance to individual life insurance (DC Code 1-623). No liability for the District's portion of the cost of postretirement benefits is recorded and the cost is recognized as an expenditure when the premiums are paid. During the year, no expenditures were recognized because there were no covered retirees.

NOTE 6. TRUST AND AGENCY FUNDS

A. UNEMPLOYMENT COMPENSATION

The District sponsors the state Unemployment System for the District of Columbia which is administered by the Office of Unemployment Compensation in the Department of Employment Services and is accounted for as a separate Unemployment Compensation Trust Fund. The fund pays benefits to unemployed former employees of the District and Federal governments and private employers carrying on employment in the District. The District and Federal governments reimburse the fund for benefits paid by it to their respective unemployed former employees. Private employers contribute to the fund at statutory rates. Administrative costs of the system are paid by the General Fund and reimbursed by a Federal grant. The fund had a total fund balance of \$146,839 at September 30, 1997.

B. DEFINED BENEFIT PENSION PLANS

Plan Descriptions

The Federal government administers the Civil Service Retirement System (5 U.S.C. 8331) which covers permanent full-time employees hired before October 1, 1987 (except those covered by the District Retirement Program) and the Social Security System (42 U.S.C. 301) which covers all other employees (except those covered by the District Retirement Program).

District contributions to the pension plans administered by the Federal government, for the years ended September 30, 1997 and 1996, equaled employee contributions and were as follows. The District has no further liability to these plans.

Plan	Rate	Employees	1997	1996
Civil Service	7.00 %	13,479	\$ 36,547	39,292
Social Security	7.65	11,795	24,725	24,737
Total		25,274	\$ 61,272	64,029
Total payroll			\$ 1,526,637	1,587,188

The District Retirement Programs (DC Code 4-601, 11-1561, 31-1201) are single employer defined benefit pension plans administered by the Retirement Board and accounted for as pension trust funds. Administrative costs of the Retirement Board are financed by the funds. Administrative costs of benefit payments and census data are financed by and recorded in the General Fund of the District. The Revitalization Act changes the pension trust funds and financial responsibility for certain benefits effective October 1, 1997, as presented in note 1.P.

The District Retirement Programs covers four classes of employees who contribute a percentage of their salary. The number of participants at September 30, 1997 was as follows.

Class	Retired	Vested	Nonvested	Total
Judges	54	34	32	120
Police officers/Fire fighters	7,475	4,297	547	12,319
Teachers	4,948	5,180	992	11,120
Total	12,477	9,511	1,571	23,559

Judges contribute 3.5% to 7.0% and police officers, fire fighters and teachers contribute 7% or 8% depending upon employment date. The program also provides death and disability benefits. Benefits vest upon reaching 5 years of service and increase after retirement based upon inflation. Refunds are made if separation occurs before 5 years of service.

Contributions Made

On January 2, 1975, when the District of Columbia Self-Government and Governmental Reorganization Act became effective, the unfunded actuarial liability under the District Retirement Program was \$1.9 billion. The Retirement Reform Act (DC Code 1-701) authorized the Federal government to make 25 annual contributions of \$52,070 to the Pension Trust Funds from 1980 through 2004. These contributions total \$1.3 billion and had a present value in 1975 of \$486,800, using a 7% rate of interest. The present value of the future Federal obligation at September 30, 1997 was \$300,264. The amount is included in Intergovernmental Receivables in the balance sheet of the trust and agency funds. The Revitalization Act repealed this authorization for payments beyond 1997.

The Retirement Reform Act also provided that, for each year before 2005, the District will pay to the Pension Trust Funds a sum equal to normal cost (portion of benefits allocated to a valuation year) plus interest on the unfunded actuarial liability or net pay-as-you-go cost (benefit payments less employee contributions), whichever is less, plus annual amortization. An amount is calculated each year to amortize with interest, over a 10 year period, the difference between the projected unfunded actuarial liability at September 30, 2004 and the unfunded actuarial liability at September 30, 1979 increased by the inflation assumption to September 30, 2004. The actual annual amortization payment may not exceed 30% (10% for police officers and fire fighters) of the net pay-as-you-go cost. Beginning in 2005, the District's annual contribution to the Pension Trust Funds will increase to cover normal cost plus interest on the unfunded actuarial liability. If the balance of any fund is not sufficient to meet all obligations against the fund, the fund has a claim on the revenues of the District to the extent necessary to meet the obligations (DC Code 1-724). Plan revisions change the contribution starting in 1998 to be the actuarially determined normal cost.

The District contributions to the Pension Trust Funds for the years ended September 30, 1997 and 1996 were determined before October 1 of each year under the Retirement Reform Act on the entry age normal actuarial cost method as follows.

Component	Judges	Police and Fire	Teachers	Totals	
				1997	1996
(1) Normal cost plus interest:					
Normal cost	\$ 2,878	94,184	30,860	127,922	116,880
Interest on unfunded actuarial liability	2,000	222,900	135,600	360,500	328,667
Total	4,878	317,084	166,460	488,422	445,547
(2) Net pay-as-you-go cost	4,000	217,800	118,300	340,100	306,100
(3) Mandatory contribution:	\$				
Lesser of (1) or (2)	4,000	217,800	118,300	340,100	306,100
Annual amortization	1,000	2,700	(30,600)	(26,900)	22,900
Subtotal	5,000	220,500	87,700	313,200	329,000
(4) Voluntary contribution	500	6,200	1,031	7,731	8,255
District contribution made	5,500	226,700	88,731	320,931	337,255
Employee contribution made	578	13,796	19,405	33,779	34,518

Pension Cost

Pension cost is the contribution required by the Pension Trust Funds in order for them to accumulate sufficient assets to pay benefits when due. The pension cost, for the years ended September 30, 1997 and 1996, based on the unit credit actuarial cost method with amortization of plan changes over 25 years and actuarial investment gains and losses over 10 years, was as follows.

Component	Judges	Police and Fire	Teachers	Totals	
				1997	1996
Normal cost	\$ 3,053	80,167	41,715	124,935	133,543
Interest on unfunded actuarial liability	1,501	190,505	76,498	268,504	258,993
Amortization of unfunded actuarial liability	(1,681)	(97,508)	(34,351)	(133,540)	(14,543)
Pension cost	2,873	173,164	83,862	259,899	377,993
Covered payroll	8,504	187,116	235,457	431,077	454,112

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Pension cost, less District contribution made, was added each year to accrued pension cost in the General Long Term Liabilities Account Group.

Significant actuarial assumptions used to determine pension contributions, costs and obligations were the same for each program except for salary merit increases as follows.

Assumptions	1997	1996
Rate of return on investments	7.25 %	7.00 %
Salary inflation increase	5.00	5.00
Postretirement benefit increase	5.00	5.00
Salary merit increase:		
Judges	0.00 -	0.00
Police and Fire	2.00	2.00
Teachers	3.50	3.50

Funding Status

The pension benefit obligation is a standardized measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The obligation and the market value of the net assets available for benefits were determined at September 30, 1997 and 1996 as follows.

Component	Judges	Police and Fire	Teachers	Totals	
				1997	1996
Retired employees	\$ 49,793	3,975,203	1,853,105	5,878,101	5,738,131
Current employees:					
Employee contributions	3,217	119,493	204,731	327,441	327,395
District financed:					
Vested	28,882	1,370,606	1,108,996	2,508,484	2,328,579
Nonvested	15,092	22,169	11,494	48,755	52,494
Total pension benefit obligation	96,984	5,487,471	3,178,326	8,762,781	8,446,599
Net assets available for benefits	63,130	2,942,053	2,045,382	5,050,565	4,073,039
Unfunded pension benefit obligation	33,854	2,545,418	1,132,944	3,712,216	4,373,560

Retired employees include retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them. Employee contributions include allocated investment earnings.

Trend Information

A schedule of pension contributions, costs and obligations expressed as a percentage of annual covered payrolls, and net assets available for benefits expressed as a percentage of total pension benefit obligations, for the years ended September 30, 1997, 1996 and 1995 follows.

Indicator	1997	1996	1995
District contribution made	74.4 %	74.3 %	59.2 %
Employee contribution made	7.8	7.6	7.5
Pension cost	60.3	83.2	88.4
Unfunded pension benefit obligation	861.1	963.1	927.0
Net assets available for benefits	57.6	48.2	44.0

An unaudited schedule of actuarial value of assets, actuarial accrued liability, unfunded actuarial accrued liability and other trend indicators for the three most recent actuarial valuations follows. The actuarial accrued liability was computed using the projected unit credit actuarial cost method. The actuarial value of assets was based on market value.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Actuarial Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
Judges Pension Plan						
09/30/97	\$ 63,130	96,984	33,854	65.1 %	\$ 8,600	393.7 %
09/30/96	48,392	89,892	41,500	53.8	8,300	500.0
09/30/95	41,951	91,271	49,320	46.0	8,600	573.5
Police and Fire Pension Plan						
09/30/97	2,942,000	5,487,000	2,545,000	53.6	208,000	1,223.6
09/30/96	2,357,000	5,495,000	3,138,000	42.9	183,000	1,714.8
09/30/95	2,103,000	5,196,000	3,093,000	40.5	196,000	1,578.1
Teachers Pension Plan						
09/30/97	2,045,000	3,178,000	1,133,000	64.3	284,000	398.9
09/30/96	1,668,000	3,180,000	1,512,000	52.5	291,000	519.6
09/30/95	1,502,000	3,042,000	1,540,000	49.4	299,000	515.1

Historical trend information, designed to show progress made in accumulating sufficient assets to pay benefits when due, is presented in the financial statements issued by the District of Columbia Retirement Board that can be requested from the District of Columbia Retirement Board, Executive Director, 1400 L Street, NW, Suite 300, Washington, DC 20005.

C. DEFINED CONTRIBUTION PENSION PLAN

The District sponsors a defined contribution pension plan (DC Code 1-627) with a qualified trust under Internal Revenue Code section 401 for permanent full-time employees covered by the Social Security System. The District contributes 5% (5.5% for detention officers) of base salaries each quarter (7% and 7.5% in 1996). Employees do not contribute to the plan and are eligible to participate after 1 year of service. The District contributed \$13,285 and \$19,073 in 1997 and 1996, respectively, on covered payroll of \$247,471 and \$262,633. Contributions and earnings vest fully after 4 years of service following a 1 year waiting period. Contributions are reduced if separation occurs before 5 years of credited service. Contributions are not assets of the District which has no further liability to this plan.

D. DEFERRED COMPENSATION PLANS

The District sponsors a deferred compensation plan (DC Code 47-3601) which is administered by independent contractors under Internal Revenue Code Section 457 and is accounted for as a separate Deferred Compensation Agency Fund. Employees, other than teachers, may defer up to 25% of the first \$30,000 of their annual compensation. Compensation deferred and income earned are taxable when paid or made available to the participant or beneficiary upon retirement, death, termination or unforeseeable emergency. The plan assets are the property of the District and are subject to the claims of the District's general creditors. The District is liable to a participant only for income lost because of its failure to invest a deferred amount as directed by the participant. After year end, the plan was modified to place the assets in trust for the sole benefit of the plan participants.

The District sponsors an annuity purchase plan (DC Code 31-1252) with insurance companies and other issuers under Internal Revenue Code section 403 for public teachers covered by the District Retirement Program. Employees may defer up to \$9,240 of their annual compensation. The District does not contribute to the plan. Contributions vest immediately and are not assets of the District which has no liability to this plan.

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NOTE 7. AFFILIATED ORGANIZATIONS

A. COMPONENT UNITS

The financial reporting entity includes six component units which sell services to the public on a continuing basis. The District is not liable for the debts of the convention center, sports commission, or housing finance, and their bonds, if any, are payable solely from defined revenues and assets of the unit. Through 1996, Water and Sewer Unit long term capital financing was provided by general obligation bonds and notes payable to the Federal government issued by the District and repaid from operating revenues of the unit. Thereafter, bonds issued by the unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit. However, the District may issue new general obligation bonds to refinance prior issuances. Certain tax revenues are dedicated to the convention center and sports commission. Condensed balance sheets of the component units at September 30, 1997 follow.

Account	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Total
Current assets	\$ 42,637	173,843	82,745	18,590	469,296	29,574	816,685
Long term assets	-	32,834	-	-	227,673	-	260,507
Fixed assets, net	49,374	1,107,449	108,814	8,938	146	77,615	1,352,336
Total assets	\$ 92,011	1,314,126	191,559	27,528	697,115	107,189	2,429,528
Current liabilities	\$ 116,702	127,150	4,888	3,945	24,905	18,092	295,682
Long term liabilities	-	602,345	-	-	644,675	-	1,247,020
Total liabilities	116,702	729,495	4,888	3,945	669,580	18,092	1,542,702
Contributed capital	119,816	397,808	95,941	15,715	-	76,243	705,523
Retained earnings (deficit)	(144,507)	186,823	90,730	7,868	27,535	12,854	181,303
Total equity	(24,691)	584,631	186,671	23,583	27,535	89,097	886,826
Total liabilities and equity	\$ 92,011	1,314,126	191,559	27,528	697,115	107,189	2,429,528

Condensed statements of revenues, expenses and changes in retained earnings of the component units for the year ended September 30, 1997 follow.

Account	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Total
Operating revenues	\$ 109,039	222,878	8,239	9,358	22,383	21,104	393,001
Operating expenses:							
Depreciation	6,800	25,696	2,415	1,115	86	3,932	40,044
Other	143,175	162,237	18,809	6,779	22,667	83,902	437,569
Operating income (loss)	(40,936)	34,945	(12,985)	1,464	(370)	(66,730)	(84,612)
Nonoperating revenues, net	-	(13,732)	3,358	-	3,473	28,263	21,362
Intragovernmental transfers	32,135	-	45,769	-	-	37,797	115,701
Net income (loss)	(8,801)	21,213	36,142	1,464	3,103	(670)	52,451
Depreciation added back	-	4,117	-	-	-	3,932	8,049
Retained earnings (deficit) at October 1	(135,706)	161,493	54,588	6,404	24,432	9,592	120,803
Retained earnings (deficit) at September 30	\$ (144,507)	186,823	90,730	7,868	27,535	12,854	181,303

Several financial plans are being developed to reduce the losses of the General Hospital by restructuring its operation. The District of Columbia Health and Hospitals Public Benefit Corporation was created by DC Law 11-212 to manage and control the General Hospital and the community health clinics and certain services to the chronically ill provided by the Department of Human Services. The Corporation will be operational in 1998.

Condensed statements of cash flows of the component units for the year ended September 30, 1997 follow.

Account	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	Total
Operating activities	\$ (29,157)	76,652	(9,263)	4,773	(4,883)	(48,002)	(9,880)
Capital and related financing activities	(3,869)	(78,273)	(16,261)	(224)	(21)	618	(98,030)
Noncapital financing activities	32,135	(62,760)	48,392	-	145,297	35,717	198,781
Investing activities	-	1,656	3,358	-	15,240	1,591	21,845
Increase (decrease) in cash	(891)	(62,725)	26,226	4,549	155,633	(10,076)	112,716
Cash and investments at October 1	5,179	83,234	51,585	13,593	302,598	17,683	473,872
Cash and investments at September 30	\$ 4,288	20,509	77,811	18,142	458,231	7,607	586,588

Housing finance received advances totaling \$10,591 from the General Fund from 1980 through 1992. Each advance was issued with a three year waiver of principal and interest payments. Subsequent repayments were contingent on housing finance having resources in excess of those needed to satisfy its long term debt and operating commitments. None of the principal or interest was repaid and the 1997 appropriation law (Public Law 104-194) removed the requirement to repay the principal and interest. The principal had been recorded in the General Fund as a long term Intragovernmental Receivable and the General Fund had fully reserved the receivable as uncollectible.

Complete financial statements can be requested for each unit as follows.

General Hospital	DC General Hospital Executive Director 19th & Massachusetts Avenue, SE Washington, DC 20003
Water and Sewer	Water and Sewer Authority General Manager 5000 Overlook Avenue, SW Washington, DC 20032
Convention Center	Washington Convention Center Authority General Manager 900 Ninth Street, NW Washington, DC 20005
Sports Commission	Sports Commission Authority General Manager 2001 East Capitol Street, SE Washington, DC 20003
Housing Finance	DC Housing Finance Agency Executive Director 1401 New York Avenue, NW Washington, DC 20005
University	University of the District of Columbia President Van Ness Campus 4200 Connecticut Avenue, NW Washington, DC 20008

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B. RELATED ORGANIZATIONS

The District of Columbia Housing Authority employees are paid through the payroll system of the District. The authority reimburses the District for the payroll. Upon creation in 1995 the authority assumed the assets and liabilities of the Department of Public and Assisted Housing, which was abolished. The Department of Public and Assisted Housing had recorded outstanding receivables from the US Department of Housing and Urban Development for expenditures that were financed by the General Fund of \$3,702 and by the Capital Projects Fund of \$15,906. This amount is recorded in the General Fund as an account receivable from the authority. Collection by the General Fund is contingent upon the authority collecting from the US Department of Housing and Urban Development. The authority asserts that this receivable is not valid. Accordingly, the General Fund has fully reserved as uncollectible the receivable from the authority.

The District of Columbia Redevelopment Land Agency, a separate legal entity, is an instrumentality of the District (DC Code 5-801) with broad powers to promote redevelopment in blighted areas of the District. The agency was authorized to issue debt to finance certain site acquisition, preparation and infrastructure costs for the privately financed arena; and to receive certain dedicated tax revenues to service the debt (DC Law 10-128 et al and Public Law 104-28). In September 1995 the agency drew \$36,517 of bank loans pending the issuance of bonds, which were issued January 10, 1996. These debts are not general obligation debts of the District, and they are payable solely from the dedicated tax revenues and other assets of the agency.

C. JOINT VENTURE

District contributions to the Washington Metropolitan Area Transit Authority for the years ended September 30, 1997 and 1996 follow.

Account	1997	1996
Operating grants	\$ 118,672	120,568
Debt service grants	10,330	10,331
Capital grants	50,000	50,220
Total	\$ 179,002	181,119

The amounts of the stable and reliable revenues allocated by the District to the Transit Authority were \$327,100 and \$337,630 for the years ended September 30, 1997 and 1996, respectively.

The District pays the Transit Authority for taking public school students to and from schools or school-related activities. The payments are classified as current public works expenditures in the General Fund and were \$2,946 in 1997 and \$3,429 in 1996.

The Transit Authority issues separate audited financial statements that can be requested from the Washington Metropolitan Area Transit Authority, General Manager, 600 5th Street, NW, Washington, DC 20001.

D. FINANCIAL RESPONSIBILITY AND MANAGEMENT ASSISTANCE AUTHORITY

The Financial Responsibility Authority was created by Public Law 104-8 as a five member board appointed by the President, having broad powers and independent oversight over the District, as more fully described in Note 1. The Financial Responsibility Authority is included as a blended component unit of the primary government, as required by generally accepted accounting principles (GAAP) with its general fund presented as a special revenue fund and its agency funds and account groups combined with those of the primary government. The Financial Responsibility Authority prepares separate audited financial statements that can be requested from the District of Columbia Financial Responsibility and Management Assistance Authority, Chief Financial Officer, Suite 900 One Thomas Circle, NW, Washington, DC 20005

NOTE 8. INTERGOVERNMENTAL TRANSACTIONS

A. PAYMENT IN LIEU OF TAXES

The Federal payment to the District is in lieu of taxes it would have had to pay had it been subject to taxation and for costs incurred by the District for special purposes. The Mayor submits to the Council a requested Federal payment for the fiscal year commencing the following October 1 as part of the annual budget submission. The amount authorized by Congress through 1997 to be appropriated as the general purpose portion of the Federal payment is 24% of revenues that are derived from sources other than the Federal government for the second preceding fiscal year.

A summary of the Federal payment to the General Fund for the years ended September 30, 1997 and 1996 follows.

Purpose	1997	1996
General purpose	660,000	660,000
Inaugural costs	5,702	-
Total	\$ 665,702	660,000

B. OPERATING GRANTS

The District participates in Federal financial assistance programs: formula and project grants; direct payments for specified and unrestricted use; food stamp and other pass through grants; and direct and guaranteed loans.

A summary of operating grants for the years ended September 30, 1997 and 1996 follows.

Function	1997	1996
Governmental direction and support	\$ 4,053	2,259
Economic development and regulation	59,990	68,101
Public safety and justice	22,467	8,471
Public education system	73,436	68,232
Human support services	739,880	786,459
Public works	6,231	27,426
Total general	906,057	960,948
Housing finance	22,363	17,609
University	8,945	8,775
Total reporting entity	\$ 937,365	987,332

C. CAPITAL GRANTS

Federal capital grants are used for the purchase or construction of fixed assets. Capital grants, except for water and sewer facilities, are recorded as Intergovernmental Revenues in the Capital Projects Fund. Capital grants for water and sewer facilities are recorded as Contributed Capital in the Water and Sewer Unit.

A summary of capital grants for the years ended September 30, 1997 and 1996 follows.

Function	1997	1996
Economic development and regulation	\$ 676	1,195
Public education system	18,235	-
Human support services	792	2,290
Public works	73,390	34,911
Total capital projects	93,093	38,396
Water and sewer	6,054	4,777
Total reporting entity	\$ 99,147	43,173

D. WATER AND SEWER SERVICES

The District exercises no oversight responsibility over the Washington Aqueduct which is owned by the Federal government and operated by the U. S. Army Corps of Engineers. The District compensates the Federal government for operating expenses and capital outlays of the Washington Aqueduct. The capital outlays are capitalized and depreciated over 60 years in the Water and Sewer Unit.

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A summary of costs incurred for the years ended September 30, 1997 and 1996 follows.

Purpose	1997	1996
Operating expenses	\$ 9,655	21,319
Capital outlays	6,394	2,576
Total	\$ 16,049	23,895

NOTE 9. LEASES

The present value of future minimum lease payments under capital leases and minimum lease payments for all operating leases having noncancelable terms in excess of one year at September 30, 1997 are as follows.

Year Ending September 30	Primary Government			Discretely Presented Component Units		
	Capital Leases	Operating Leases		Capital Leases	Operating Leases	
		Facilities	Equip-ment		Facilities	Equip-ment
1998	\$ 10,845	33,786	52	-	5,476	610
1999	10,833	27,724	24	-	-	457
2000	10,834	22,738	24	-	-	457
2001	10,730	20,527	15	-	-	-
2002	10,716	21,529	15	-	-	-
Thereafter	127,538	21,896	-	-	-	-
Minimum lease payments	181,496	148,200	130	-	5,476	1,524
Less - imputed interest	51,781			-		
Present value of payments	129,715			-		

Capital lease payments are classified as current expenditures in the governmental funds. Lease expenditures were \$46,865 in 1997 and \$44,249 in 1996 for governmental funds, and \$10,368 in 1997 and \$9,982 in 1996 for discretely presented component units.

During the year the District entered into an agreement for a third party to operate the Correctional Treatment Facility for 20 years. As part of this transaction, the District sold the facility for \$52,000 of cash to the third party and leased it back from the third party for 20 years at a total payment amount of \$55,850 equal to the sale proceeds plus the value of specified improvements to be made by the third party. At the end of the lease the facility will return to the District. Upon early termination of the operating agreement, the lease will be terminated and the District will buy out the balance of the lease payments.

NOTE 10. CONTINGENT LIABILITIES

A. RISK MANAGEMENT

The District retains all risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. A claim is accrued when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. A liability is recognized also for an estimate of claims that have been incurred but not reported. Assets are not set aside to finance claim payments. Optional health and life insurance coverage are available to employees, with both employee and District premium contributions and without the District retaining risk.

A summary of changes in the accrued liability for claims and judgments in the General Fund follows.

Component	1997	1996
Liability at October 1	\$ 39,449	34,865
Incurrd claims	24,056	19,565
Less - claims payments	15,741	14,981
Liability at September 30	<u>\$ 47,764</u>	<u>39,449</u>

The accrued liability is based on estimates of the payments that will be made upon judgment or resolution of the claim. No accrual has been provided for possible but not probable additional claims which are estimated at \$267,839.

The District administers a Disability Compensation System that pays benefits for accidental disability or death of District employees, except for uniformed police and fire, resulting from personal injury while in the performance of their duties. The benefits are funded on a pay-as-you-go basis. The present value at 6.00% of projected disability compensation is accrued in the General Long Term Liabilities Account Group, and a summary of changes follows.

Component	1997	1996
Liability at October 1	\$ 130,364	130,357
Benefits incurred	46,003	23,957
Less - benefit payments	22,783	23,950
Liability at September 30	<u>\$ 153,584</u>	<u>130,364</u>

The District has entered into interest rate swap agreements for two variable rate bond issues, of which \$403,400 and \$450,400 are outstanding at September 30, 1997 and 1996, respectively. The agreements are for the term of the related outstanding bonds. Based on the swap agreements, the District owes interest to the counterparties to the swap calculated at a fixed rate of 5.80% and 6.02%. In return, the counterparties owe the District interest based on a variable rate. Only the net difference in interest payments is actually exchanged with the counterparties. The District continues to pay interest to the bondholders at the variable rate as provided by the bonds, and the net interest payment under the swap agreements adjusts the net interest to an approximate fixed rate. The District will be exposed to variable rates on the bonds if a counterparty defaults or if a swap agreement is terminated. Terminating a swap agreement may result in the District making or receiving a termination payment related to market rates at that time.

The District entered into debt service deposit agreements effective through 2014 that exchanged future cash flows of certain special tax fund escrow accounts for a fixed amount received by the District upon entering into the agreements, thus increasing the predictability of cash flows from the earnings on escrow account investments. Upon early termination of an agreement and depending upon then current interest rates, any termination amount owed by the District may substantially exceed the amount received upon entering into the agreements.

B. FEDERALLY ASSISTED PROGRAMS

The District participates in a number of Federally assisted grant programs as described in Note 8. These grants are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs have not yet been conducted for the year ended September 30, 1997 and, for certain programs, for prior years. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. An accrual of \$100,564 in the General Fund has been provided which estimates the probable amount of expenditures that may be disallowed by the granting agencies based on prior experience.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

For a fund type that has more than one fund, combining statements for all funds of that type are presented in columnar format. For a fund type that has only one fund of a given type, individual fund statements are presented with prior year comparisons. Schedules are presented where greater detail for information reported in the statements is deemed useful.

GENERAL FUND

The General Fund is used to account for all financial resources which are not required to be accounted for in another fund. All fixed assets of the primary government except those related to specific proprietary funds are accounted for through the General Fixed Assets Account Group. All long term liabilities of the primary government except those related to specific proprietary funds are accounted for through the General Long Term Liabilities Account Group.

GENERAL FUND
COMPARATIVE BALANCE SHEETS
September 30, 1997 and 1996
(\$000s)

	1997	1996
ASSETS		
Current Assets:		
Cash and investments	\$ 307,219	222,247
Receivables (net of allowances for uncollectibles):		
Taxes	218,814	241,315
Accounts	64,762	47,108
Intergovernmental	365,465	381,592
Intragovernmental	2,177	2,177
Interfund	62,310	40,834
Inventories	74,697	70,971
Other current assets	11,648	10,662
Total current assets	<u>1,107,092</u>	<u>1,016,906</u>
Long Term Assets:		
Receivables (net of allowances for uncollectibles):		
Loans	<u>33,403</u>	<u>43,004</u>
Total assets	<u>\$ 1,140,495</u>	<u>1,059,910</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables:		
Accounts	\$ 310,560	357,536
Compensation:		
Salaries and wages	94,935	96,464
Employee benefits	7,884	10,013
Payroll taxes	4,417	4,084
Annual leave	23,183	24,865
Other deductions	12,992	11,809
Intergovernmental	11,770	19,417
Intragovernmental	58,683	6,689
Interfund	18,901	26,148
Accrued liabilities:		
Claims and judgments	47,764	39,449
Grant disallowances	100,564	85,216
Interest	54,759	51,171
Medicaid	120,491	267,913
Tax refunds	13,407	17,227
Deferred revenue:		
Property taxes	118,165	106,634
Intergovernmental grants	63,462	69,651
Other deferrals	84,002	75,289
Short term debt:		
Intergovernmental	223,100	283,000
General obligation notes	74,000	-
Other current liabilities	<u>29,813</u>	<u>25,584</u>
Total liabilities	<u>1,472,852</u>	<u>1,578,159</u>
Fund Balances:		
Reserved for long term assets	33,403	43,004
Unreserved (deficit)	<u>(365,760)</u>	<u>(561,253)</u>
Total fund balances	<u>(332,357)</u>	<u>(518,249)</u>
Total liabilities and fund balances	<u>\$ 1,140,495</u>	<u>1,059,910</u>

GENERAL FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESYears Ended September 30, 1997 and 1996
(\$000s)

	1997	1996
Revenues:		
Taxes	\$ 2,577,344	2,517,044
Licenses and permits	45,490	49,400
Fines and forfeits	51,664	40,792
Charges for services:		
Public	68,226	74,802
Intergovernmental	4,782	3,212
Interfund	14,376	30,307
Miscellaneous:		
Public	112,090	98,439
Intergovernmental	16,018	17,641
Interfund	14,540	-
Intergovernmental:		
Payment in lieu of taxes	665,702	660,000
Operating grants	906,057	960,948
Total revenues	<u>4,476,289</u>	<u>4,452,585</u>
Expenditures:		
Current:		
Governmental direction and support	153,777	157,576
Economic development and regulation	154,754	150,743
Public safety and justice	994,555	999,298
Public education system	667,384	714,653
Human support services	1,602,026	1,734,947
Public works	259,490	278,161
Employee benefits addition (deduction)	39,772	(10,733)
Debt service:		
Principal	207,903	191,247
Interest	174,085	173,807
Fiscal charges	13,567	2,650
Total expenditures	<u>4,267,313</u>	<u>4,392,349</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>208,976</u>	<u>60,236</u>
Other Financing Sources (Uses):		
Proceeds (payment) of:		
General obligation bonds	71,703	-
Payment to refunded bond escrow agent:		
Refunded debt	(70,914)	-
Other charges	(1,483)	-
Sale of fixed assets	1,647	-
Sale/lease back	55,850	-
Transfers:		
Interfund transfers in	69,200	75,250
Interfund transfers out	(33,386)	(38,342)
Intragovernmental transfers out	(115,701)	(130,832)
Total other financing sources (uses)	<u>(23,084)</u>	<u>(93,924)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>185,892</u>	<u>(33,688)</u>
Fund Balances (Deficit) at October 1	<u>(518,249)</u>	<u>(484,561)</u>
Fund Balances (Deficit) at End of Period	<u>\$ (332,357)</u>	<u>(518,249)</u>

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Exhibit A-3

GENERAL FUND

SCHEDULE OF EXPENDITURES AND USES FUNCTION AND OBJECT (GAAP BASIS)

Year Ended September 30, 1997
With Comparative Totals for Year Ended September 30, 1996
(\$000s)

Function and Subfunction	Personal	Contractual	Supplies	Occupancy	Miscel- laneous	Totals		
	Services	Services				1997	1996	
Governmental Direction and Support:								
Legislative	\$ 7,108	437	86	460	849	8,940	8,494	
Executive	7,427	6,346	127	1,125	1,084	16,109	12,154	
Finance	34,461	14,440	384	10,808	25,794	85,887	80,818	
Personnel	8,982	964	50	587	266	10,849	10,930	
Administrative	9,342	15,123	247	4,041	19	28,772	42,208	
Elections	2,231	578	50	248	113	3,220	2,972	
Total	69,551	37,888	944	17,269	28,125	153,777	157,576	
Economic Development and Regulation:								
Community development	32,781	22,312	218	3,922	21,967	81,200	51,982	
Public housing	341	-	-	-	6,166	6,507	6,216	
Economic regulation	11,046	3,048	198	3,094	476	17,862	39,291	
Employment services	29,083	3,665	224	2,628	13,585	49,185	53,254	
Total	73,251	29,025	640	9,644	42,194	154,754	150,743	
Public Safety and Justice:								
Police	355,882	12,164	4,448	6,601	19,289	398,384	423,681	
Fire	137,138	2,571	1,923	1,923	1,411	144,966	152,646	
Correction	175,581	33,430	9,003	11,138	42,322	271,474	252,307	
Protection	2,281	328	103	271	145	3,128	2,743	
Law	16,506	17,111	433	517	16,735	51,302	46,995	
Judicial	70,093	47,744	767	3,785	2,912	125,301	120,926	
Total	757,481	113,348	16,677	24,235	82,814	994,555	999,298	
Public Education System:								
Schools	509,634	36,202	22,617	25,234	49,963	643,650	692,189	
Culture	16,028	1,087	168	1,930	4,521	23,734	22,464	
Total	525,662	37,289	22,785	27,164	54,484	667,384	714,653	
Human Support Services:								
Health and welfare	233,982	177,180	8,180	35,984	1,048,743	1,504,069	1,657,935	
Human relations	1,838	5,093	15	196	12,264	19,406	20,303	
Employment benefits	50,875	-	-	-	-	50,875	31,791	
Recreation	20,201	2,491	1,766	2,543	675	27,676	24,918	
Total	306,896	184,764	9,961	38,723	1,061,682	1,602,026	1,734,947	
Public Works	71,096	29,298	6,331	13,597	139,168	259,490	278,161	
Employee Benefits Addition (Deduction):								
Governmental direction and support	299	-	-	-	-	299	1,521	
Economic development and regulation	693	-	-	-	-	693	3,101	
Public safety and justice	49,263	-	-	-	-	49,263	(27,579)	
Public education system	(2,000)	-	-	-	-	(2,000)	444	
Human support services	(9,162)	-	-	-	-	(9,162)	9,171	
Public works	679	-	-	-	-	679	2,609	
Total	39,772	-	-	-	-	39,772	(10,733)	
Debt Service	-	-	-	-	395,555	395,555	367,704	
Financing (Sources) Uses	-	-	-	-	23,084	23,084	90,774	
Total expenditures and uses	\$ 1,843,709	431,612	57,338	130,632	1,827,106	4,290,397	4,483,123	

Exhibit A-4

GENERAL FUND

SCHEDULE OF LOCAL SOURCE REVENUES
BUDGET AND ACTUAL (BUDGETARY BASIS)Year Ended September 30, 1997
(\$000s)

Source	Budget		Actual	Variance - Favorable (Unfavorable)
	Original	Revised		
Taxes:				
Property:				
Real	\$ 626,100	628,465	617,694	(10,771)
Personal	65,400	63,200	60,392	(2,808)
Public space rental	14,100	12,700	9,513	(3,187)
Total	705,600	704,365	687,599	(16,766)
Sales and use:				
General	463,900	475,500	482,354	6,854
Alcoholic beverages	4,800	4,800	5,460	660
Cigarette	18,900	18,100	18,946	846
Hotel occupancy	5,500	5,000	3,806	(1,194)
Motor vehicles	27,500	30,000	30,271	271
Total	520,600	533,400	540,837	7,437
Income and franchise:				
Individual income	657,700	684,900	753,475	68,575
Corporation franchise	126,800	121,500	144,563	23,063
Unincorporated business	36,000	32,500	38,942	6,442
Total	820,500	838,900	936,980	98,080
Gross receipts:				
Public utility	143,300	142,200	141,901	(299)
Toll telecommunication	48,600	44,800	52,994	8,194
Insurance companies	34,906	34,900	42,625	7,725
Health care providers	-	-	(8,278)	(8,278)
Total	226,806	221,900	229,242	7,342
Other:				
Inheritance and estate	17,600	25,600	27,314	1,714
Recordation	22,600	28,000	30,821	2,821
Economic interest	-	3,000	10,081	7,081
Transfer	21,800	24,000	27,162	3,162
Total	62,000	80,600	95,378	14,778
Total taxes	2,335,506	2,379,165	2,490,036	110,871
Licenses and Permits:				
Business licenses	31,938	31,763	28,268	(3,495)
Nonbusiness permits	17,440	17,737	17,221	(516)
Total	49,378	49,500	45,489	(4,011)
Fines and Forfeits	45,310	42,100	51,664	9,564
Charges for Services:				
Court fees	6,770	6,459	6,009	(450)
Other	46,056	37,841	37,801	(40)
Total	52,826	44,300	43,810	(490)
Miscellaneous:				
Interest	10,461	15,055	18,599	3,544
Other	16,768	21,345	52,320	30,975
Total	27,229	36,400	70,919	34,519
Total revenues	\$ 2,510,249	2,551,465	2,701,918	150,453

GENERAL FUND

SCHEDULE OF BUDGETARY BASIS REVENUES AND EXPENDITURES BY SOURCE OF FUNDS

Year Ended September 30, 1997
(\$000s)

	Local Source			Federal Grants			Private and Other			Total		
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
Revenues and Sources:												
Taxes	\$ 2,335,506	2,379,165	2,490,036	110,871	-	-	-	-	2,335,506	2,379,165	2,490,036	110,571
Licenses and permits	49,378	49,500	45,489	(4,011)	-	-	-	-	49,378	49,500	45,489	(4,011)
Fines and forfeits	45,310	42,100	51,664	9,564	-	-	-	-	45,310	42,100	51,664	9,564
Charges for services	52,826	44,300	43,810	(490)	-	-	-	-	52,826	44,300	43,810	(490)
Miscellaneous	27,229	36,400	70,919	34,519	-	-	-	-	150,797	183,732	194,886	11,154
Intergovernmental	665,702	665,702	665,702	-	855,401	1,028,726	887,758	(140,968)	1,521,103	1,694,428	1,553,460	(140,968)
General obligation bonds	-	-	-	-	-	-	-	-	-	-	71,703	71,703
Surplus property sales	24,000	24,705	53,647	28,942	-	-	-	-	24,000	24,705	53,647	29,642
Transfers	75,799	72,600	69,200	(3,400)	-	-	-	-	75,799	72,600	69,200	(3,400)
Revenue initiatives	46,680	32,247	-	(32,247)	-	-	-	-	46,680	32,247	-	(32,247)
Total Revenues and Sources	3,322,430	3,346,719	3,490,467	143,748	855,401	1,028,726	887,758	(140,968)	4,301,399	4,522,777	4,573,895	51,118
Expenditures and Uses:												
Governmental direction and support	98,691	98,670	94,381	4,289	12,192	13,187	4,053	9,134	115,663	116,867	103,637	13,230
Economic development and regulation	67,196	65,337	60,352	4,985	45,708	55,833	35,294	20,539	135,704	144,000	112,127	31,873
Public safety and justice	1,012,112	996,961	988,308	8,653	19,310	38,862	22,426	16,436	1,041,281	1,049,026	1,019,359	29,667
Public education system	632,379	630,041	630,093	(52)	98,479	125,017	78,141	46,876	758,815	800,838	740,740	60,098
Human support services	961,399	938,125	930,360	7,765	676,665	792,325	749,621	42,704	1,685,707	1,780,243	1,725,350	54,893
Public works	234,391	229,905	230,796	(891)	3,047	3,502	2,231	1,271	247,967	244,123	238,286	5,837
Washington Convention Center payment	5,400	5,400	5,400	-	-	-	-	-	5,400	5,400	5,400	-
Repay bonds and interest	333,710	348,660	347,304	1,356	-	-	-	-	333,710	348,660	346,992	(78,332)
Repay deficit bonds and interest	38,314	39,000	37,936	1,064	-	-	-	-	38,314	39,000	37,936	1,064
Interest on short term borrowing	34,461	18,825	12,633	6,192	-	-	-	-	34,461	18,825	12,633	6,192
Managerial services	5,702	5,702	3,503	2,199	-	-	-	-	5,702	5,702	3,503	2,199
Certificates of participation	7,926	7,926	7,831	95	-	-	-	-	7,926	7,926	7,831	95
Human resources development	12,257	11,447	6,538	4,909	-	-	-	-	12,257	11,447	6,538	4,909
Cost reduction initiatives	(47,411)	-	-	-	-	-	-	-	(47,411)	-	-	-
Financial Responsibility Authority	3,400	3,220	3,187	33	-	-	-	-	3,400	3,220	3,187	33
Water and sewer cash repayment	21,500	21,500	21,500	-	-	-	-	-	21,500	21,500	21,500	-
Total Expenditures and Uses	3,421,427	3,420,719	3,380,122	40,597	855,401	1,028,726	891,766	136,960	4,400,396	4,596,777	4,465,019	131,758
Subtotal	(98,997)	(74,000)	110,345	184,345	-	-	(4,008)	(4,008)	(98,997)	(74,000)	108,876	182,876
PL 104-194 Deficit Target												
(Additions) Deductions:												
Other deficit reductions	24,997	-	-	-	-	-	-	-	24,997	-	-	-
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses	\$ (74,000)	(74,000)	110,345	184,345	-	-	(4,008)	(4,008)	(74,000)	(74,000)	108,876	182,876

SPECIAL REVENUE FUND

The **Financial Responsibility Authority Fund** is used to account for the operating activity of the District of Columbia Financial Responsibility and Management Assistance Authority, a Federally appointed board created to provide temporary fiscal assistance to alleviate the District's fiscal distress. The fund is financed primarily from interest on cash and investments held in the Financial Responsibility Authority Agency Fund. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. Fixed assets are accounted for through the General Fixed Assets Account Group. Long term liabilities are accounted for through the General Long Term Liabilities Account Group.

Exhibit B-1

FINANCIAL RESPONSIBILITY AUTHORITY SPECIAL REVENUE FUND

COMPARATIVE BALANCE SHEETS

September 30, 1997 and 1996
(\$000s)

	1997	1996
ASSETS		
Current Assets:		
Cash and investments	\$ 3,591	-
Receivables (net of allowances for uncollectibles):		
Interfund	1,466	981
Total assets	\$ 5,057	981
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables:		
Accounts	\$ 2,016	158
Compensation	226	373
Interfund	1,752	-
Deferred revenue	28	-
Other current liabilities	65	5
Total liabilities	4,087	536
Fund Balance:		
Unreserved	970	445
Total fund balances	970	445
Total liabilities and fund balances	\$ 5,057	981

FINANCIAL RESPONSIBILITY AUTHORITY SPECIAL REVENUE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESYears Ended September 30, 1997 and 1996
(\$000s)

	1997	1996
Revenues:		
Charges for services:		
Interfund	\$ 2,016	-
Miscellaneous:		
Interest	251	109
Other	-	37
Total revenues	<u>2,267</u>	<u>146</u>
Expenditures:		
Current:		
Governmental direction and support		
Personal services	2,987	2,294
Contractual services	4,091	-
Occupancy	296	285
Miscellaneous	<u>970</u>	<u>774</u>
Total expenditures	<u>8,344</u>	<u>3,353</u>
 EXCESS OF REVENUES OVER EXPENDITURES	 <u>(6,077)</u>	 <u>(3,207)</u>
Other Financing Sources:		
Proceeds of:		
Sale of fixed assets	300	-
Capital lease	272	-
Transfers:		
Interfund transfers in	<u>6,030</u>	<u>3,150</u>
Total other financing sources	<u>6,602</u>	<u>3,150</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	 <u>525</u>	 <u>(57)</u>
 Fund Balances at October 1	 <u>445</u>	 <u>502</u>
 Fund Balances at End of Period	 <u>\$ 970</u>	 <u>445</u>

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CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the purchase or construction of fixed assets which are wholly or partly financed by capital grants, dedicated taxes or general long term debt, other than those financed by the Water and Sewer Unit. The Capital Projects Fund is not used to account for the purchase of general fixed assets which are financed wholly by an individual fund or unit.

Fixed assets are capitalized in the General Fixed Assets Account Group or in the proprietary fund or component unit to which they apply. Expenditures for items which are below the minimum cost or life of a fixed asset unit are not capitalized.

Exhibit C-1

CAPITAL PROJECTS FUND
COMPARATIVE BALANCE SHEETS
September 30, 1997 and 1996
(\$000s)

	1997	1996
ASSETS		
Current Assets:		
Cash	\$ 50,588	66,545
Receivables:		
Intergovernmental	20,013	14,122
Interfund	154,708	-
	<u>154,708</u>	<u>-</u>
Total assets	<u>\$ 225,309</u>	<u>80,667</u>
LIABILITIES AND FUND BALANCES		
Current Liabilities:		
Payables:		
Accounts	36,490	67,179
Interfund	-	984
Deferred revenue	45,595	9,988
Short term debt - intergovernmental	3,995	105,078
	<u>3,995</u>	<u>105,078</u>
Total liabilities	86,080	183,229
Fund Balances:		
Reserved for:		
Encumbrances	148,678	133,747
Net Restricted Assets	30,047	10,030
Unreserved (deficit)	(39,496)	(246,339)
	<u>139,229</u>	<u>(102,562)</u>
Total fund balances	139,229	(102,562)
Total liabilities and fund balances	<u>\$ 225,309</u>	<u>80,667</u>

CAPITAL PROJECTS FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESYears Ended September 30, 1997 and 1996
(\$000s)

	1997	1996
Revenues:		
Interest	5,633	578
Capital Grants	93,093	38,396
	<u>98,726</u>	<u>38,974</u>
Expenditures		
Capital outlay:		
General fixed assets	210,338	138,524
Component units fixed assets	1,048	1,053
Total expenditures	<u>211,386</u>	<u>139,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(112,660)</u>	<u>(100,603)</u>
Other Financing Sources:		
General obligation bond proceeds	326,120	-
Interfund transfers in - General Fund	28,331	35,192
Total other financing sources	<u>354,451</u>	<u>35,192</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>241,791</u>	<u>(65,411)</u>
Fund Balances (Deficit) at October 1	<u>(102,562)</u>	<u>(37,151)</u>
Fund Balances (Deficit) at September 30	<u>\$ 139,229</u>	<u>(102,562)</u>

Exhibit C-3

CAPITAL PROJECTS FUND
SCHEDULE OF CONSTRUCTION IN PROGRESS

September 30, 1997
(\$000s)

Function and Subfunction	Number of Projects	Author-izations	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
GENERAL						
Governmental Direction and Support:						
Finance	2	\$ 42,316	-	2,043	2,043	40,273
Administrative	3	8,316	38	593	631	7,685
Total	5	50,632	38	2,636	2,674	47,958
Public Safety and Justice:						
Police	3	283	21	22	43	240
Fire	2	304	26	6	32	272
Protection	1	2,386	535	-	535	1,851
Judicial	1	8,526	-	1,518	1,518	7,008
Total	7	11,499	582	1,546	2,128	9,371
Public Education System:						
Culture	1	7	-	7	7	-
Human Support Services:						
Health and welfare	1	2,500	-	26	26	2,474
Human relations	1	1,000	102	-	102	898
Recreation	1	2,487	177	53	230	2,257
Total	3	5,987	279	79	358	5,629
Public Works:						
Government buildings	10	29,735	1,387	600	1,987	27,748
Total	10	29,735	1,387	600	1,987	27,748
Total general	26	\$ 97,860	2,286	4,868	7,154	90,706
COMPONENT UNITS						
Water and Sewer:						
Water	5	52,066	5,525	8,870	14,395	37,671
Sewer	14	181,792	47,426	33,603	81,028	100,764
Total water and sewer	19	233,858	52,951	42,473	95,423	138,435
Convention Center	2	16,882	2,598	14,284	16,882	-
General Hospital	1	1,237	-	363	363	874
Total component units	22	\$ 251,977	55,549	57,119	112,668	139,309

ENTERPRISE FUND

Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the costs (including depreciation) of providing goods or services primarily or solely to the public on a continuing basis are or could be financed or recovered primarily through user charges.

The **Lottery and Games Fund** is used to account for revenues from lotteries and daily numbers games operated by the District and from licenses to conduct bingo games and raffles, and related prizes, expenses and capital outlays. Gambling activities are administered by a Lottery and Charitable Games Control Board consisting of five members appointed by the Mayor with the consent of the Council. All moneys made available to the Lottery and Games Fund by the General Fund must be derived from non-Federal revenues.

LOTTERY AND GAMES ENTERPRISE FUND

COMPARATIVE BALANCE SHEETS

September 30, 1997 and 1996
(\$000s)

	1997	1996
ASSETS		
Current Assets:		
Cash and investments	\$ 15,348	6,574
Receivables (net of allowances for uncollectibles):		
Accounts	2,248	4,517
Inventories	165	348
Other current assets	166	9
Total current assets	<u>17,927</u>	<u>11,448</u>
Long Term Assets:		
Other long term assets	<u>79,570</u>	<u>96,340</u>
Fixed Assets:		
Property and equipment	2,988	6,484
Less- accumulated depreciation	<u>2,200</u>	<u>5,316</u>
Net fixed assets	<u>788</u>	<u>1,168</u>
Total assets	<u>\$ 98,285</u>	<u>108,956</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Payables:		
Accounts	\$ 7,384	1,273
Compensation	442	821
Accrued liabilities	6,725	7,301
Deferred revenue	165	225
Other current liabilities	948	79
Total current liabilities	<u>15,664</u>	<u>9,699</u>
Long Term Liabilities:		
Other long term liabilities	<u>79,570</u>	<u>96,340</u>
Total long term liabilities	<u>79,570</u>	<u>96,340</u>
Total Liabilities	<u>95,234</u>	<u>106,039</u>
Equity:		
Retained earnings	<u>3,051</u>	<u>2,917</u>
Total equity	<u>3,051</u>	<u>2,917</u>
Total liabilities and equity	<u>\$ 98,285</u>	<u>108,956</u>

LOTTERY AND GAMES ENTERPRISE FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGSYears Ended September 30, 1997 and 1996
(\$000s)

	1997	1996
Operating Revenues:		
Charges for services:		
Gross charges:		
Public	\$ 202,900	210,621
Deductions from gross charges:		
Public	112,624	114,739
Total operating revenues	<u>90,276</u>	<u>95,882</u>
Operating Expenses:		
Personal services	4,105	4,898
Contractual services	16,302	15,136
Supplies	55	53
Occupancy	1,893	1,784
Depreciation	400	509
Miscellaneous	656	399
Total operating expenses	<u>23,411</u>	<u>22,779</u>
OPERATING INCOME	<u>66,865</u>	<u>73,103</u>
Nonoperating Revenues:		
Interest revenue	2,417	2,326
Miscellaneous	52	82
Total nonoperating revenues	<u>2,469</u>	<u>2,408</u>
INCOME BEFORE TRANSFERS	69,334	75,511
Interfund Transfers In (Out):		
General Fund	<u>(69,200)</u>	<u>(75,250)</u>
NET INCOME	<u>134</u>	<u>261</u>
Retained Earnings at October 1	<u>2,917</u>	<u>2,656</u>
Retained Earnings at September 30	<u><u>\$ 3,051</u></u>	<u><u>2,917</u></u>

LOTTERY AND GAMES ENTERPRISE FUND
COMPARATIVE STATEMENTS OF CASH FLOWS

Years Ended September 30, 1997 and 1996
(\$000s)

	1997	1996
Operating Activities:		
Cash receipts from customers	\$ 205,109	209,643
Other cash receipts	52	82
Cash payments to vendors	(18,052)	(16,778)
Cash payments to employees	(4,484)	(4,652)
Other cash payments, including prizes	(107,048)	(114,900)
Net cash provided	<u>75,577</u>	<u>73,395</u>
Capital and Related Financing Activities:		
Acquisitions of fixed assets	(20)	(9)
Net cash provided (used)	<u>(20)</u>	<u>(9)</u>
Noncapital Financing Activities:		
Interfund transfers out	(69,200)	(75,250)
Net cash provided (used)	<u>(69,200)</u>	<u>(75,250)</u>
Investing Activities:		
Receipts of interest and dividends	2,417	2,326
Net cash provided	<u>2,417</u>	<u>2,326</u>
INCREASE IN CASH	8,774	462
Cash and Investments at October 1	<u>6,574</u>	<u>6,112</u>
Cash and Investments at September 30	<u>\$ 15,348</u>	<u>6,574</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating income	\$ 66,865	73,103
Depreciation	400	509
Miscellaneous nonoperating revenues	52	82
Loss on dispositions of fixed assets	-	(31)
Decrease (increase) in assets:		
Receivables	2,110	(606)
Allowances for uncollectibles	159	(365)
Inventories	183	(42)
Other current assets	(157)	-
Increase (decrease) in liabilities:		
Payables	5,732	888
Accrued liabilities	(576)	7
Deferred revenue	(60)	(7)
Other current liabilities	869	(143)
Net cash provided	<u>\$ 75,577</u>	<u>73,395</u>
Noncash contributions of capital	<u>\$ -</u>	<u>-</u>

TRUST AND AGENCY FUNDS

Trust funds are used to account for assets held by the District in a trustee capacity. Agency funds are used to account for assets held by the District as an agent for individuals, private organizations, other governments or other funds.

The **Unemployment Compensation Trust Fund** is used to account for the accumulation of resources to be used for benefit payments to unemployed former employees of the District and Federal governments and private employers in the District. Resources are contributed by private employers at rates fixed by law and by the District and Federal governments on a reimbursable basis. The fund is administered by the Office of Unemployment Compensation in the Department of Employment Services. The fund does not have a separate governing body. The administrative costs of the office are accounted for in the General Fund.

The **Pension Trust Funds** are used to account for the accumulation of resources to be used for retirement annuity payments at appropriate amounts and times in the future for judges, police officers, fire fighters and public school teachers of the District. Resources are contributed by employees and by the District and Federal governments at amounts determined by an annual actuarial study and the Retirement Reform Act. The funds are administered by a thirteen member Retirement Board, three of whom are appointed by the Mayor, three by the Council, one retired judge, and one each active and retired police officers, fire fighters and teachers. The administrative costs of the board are accounted for in the funds.

The **Agency Funds** are used to account for compensation deferred by employees, refundable deposits required of various licensees, monies held in escrow and other assets held in custody by the District or Financial Responsibility Authority as an agent for individuals, private organizations, other governments or other funds.

Exhibit E-1

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

September 30, 1997
 With Comparative Totals for September 30, 1996
 (\$000s)

	Trust		Agency		Totals	
	Expendable Unemploy- ment Com- pensation	Pension	Financial Respon- sibility Authority	District	1997	1996
ASSETS						
Current Assets:						
Cash and investments	\$ 134,878	5,511,391	206,587	348,190	6,201,046	4,146,096
Receivables (net of allowances for uncollectibles):						
Taxes	11,415	-	-	-	11,415	16,591
Accounts	2,285	22,574	-	1,835	26,694	113,682
Intergovernmental	361	300,264	-	-	300,625	332,690
Interfund	3,163	-	1,752	-	4,915	26,148
Other current assets	-	-	-	9,714	9,714	25,954
Total assets	\$ 152,102	5,834,229	208,339	359,739	6,554,409	4,661,161
LIABILITIES AND FUND BALANCES						
Current Liabilities:						
Payables:						
Accounts	\$ 1,268	771,921	-	64,506	837,695	219,008
Intragovernmental	-	-	12,265	-	12,265	-
Interfund	136	11,743	196,074	-	207,953	39,850
Other current liabilities	3,859	-	-	295,233	299,092	207,743
Total liabilities	5,263	783,664	208,339	359,739	1,357,005	466,601
Fund Balances:						
Reserved for net restricted assets	146,839	5,050,565	-	-	5,197,404	4,194,560
Total liabilities and fund balances	\$ 152,102	5,834,229	208,339	359,739	6,554,409	4,661,161

UNEMPLOYMENT COMPENSATION EXPENDABLE TRUST FUND

COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCESYears Ended September 30, 1997 and 1996
(\$000s)

	1997	1996
Revenues:		
Taxes	\$ 97,179	118,746
Benefit contributions:		
Intergovernmental	12,479	14,284
Interfund	11,151	7,834
Miscellaneous:		
Investment income	7,546	5,686
Total revenues	<u>128,355</u>	<u>146,550</u>
Expenditures:		
Current:		
Human support services:		
Benefit payments	103,731	113,675
Total expenditures	<u>103,731</u>	<u>113,675</u>
EXCESS OF REVENUES OVER EXPENDITURES	24,624	32,875
Fund Balances at October 1	<u>122,215</u>	<u>89,340</u>
Fund Balances at September 30	<u>\$ 146,839</u>	<u>122,215</u>

PENSION TRUST FUNDS

COMBINING STATEMENT OF PLAN NET ASSETS

September 30, 1997
With Comparative Totals for September 30, 1996
(\$000s)

	Fund			Totals	
	Police and Fire	Teachers	Judges	1997	1996
ASSETS					
Assets:					
Cash and investments	\$ 3,183,758	2,256,042	71,591	5,511,391	3,862,394
Receivables (net of allowances for uncollectibles):					
Accounts	12,570	9,719	285	22,574	2,756
Intergovernmental	197,043	101,952	1,269	300,264	332,690
Interfund	-	-	-	-	22,782
Total assets	3,393,371	2,367,713	73,145	5,834,229	4,220,622
Liabilities:					
Payables:					
Accounts	446,836	315,160	9,925	771,921	147,583
Interfund	4,482	7,171	90	11,743	-
Total liabilities	451,318	322,331	10,015	783,664	147,583
Net Assets:					
Held in trust for pension benefits	<u>\$ 2,942,053</u>	<u>2,045,382</u>	<u>63,130</u>	<u>5,050,565</u>	<u>4,073,039</u>

Exhibit E-4

PENSION TRUST FUNDS

COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS

Years Ended September 30, 1997 and 1996
(\$000s)

	Fund			Totals	
	Police and Fire	Teachers	Judges	1997	1996
Additions:					
Benefit contributions:					
Interfund	\$ 226,700	88,730	5,500	320,930	338,055
Employees	13,796	19,405	578	33,779	34,518
Miscellaneous - intergovernmental interest	12,890	6,670	83	19,643	21,764
Investing:					
Investment income	96,689	67,745	2,199	166,633	114,426
Gain on investments	497,031	353,891	10,742	861,664	282,160
Less - investment expenses	19,278	13,651	424	33,353	9,374
Total additions	<u>827,828</u>	<u>522,790</u>	<u>18,678</u>	<u>1,369,296</u>	<u>781,549</u>
Deductions:					
Personal services	380	284	10	674	631
Contractual services	871	651	23	1,545	826
Supplies	26	20	-	46	41
Occupancy	44	33	1	78	254
Benefit payments:					
Benefits	240,834	144,075	3,906	388,815	352,485
Contribution refunds	162	408	-	570	1,276
Miscellaneous	24	18	-	42	8
Total deductions	<u>242,341</u>	<u>145,489</u>	<u>3,940</u>	<u>391,770</u>	<u>355,521</u>
NET INCREASE	585,487	377,301	14,738	977,526	426,028
Net assets held in trust for pension benefits:					
October 1	<u>2,356,566</u>	<u>1,668,081</u>	<u>48,392</u>	<u>4,073,039</u>	<u>3,647,011</u>
September 30	<u>\$ 2,942,053</u>	<u>2,045,382</u>	<u>63,130</u>	<u>5,050,565</u>	<u>4,073,039</u>

FINANCIAL RESPONSIBILITY AUTHORITY AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS

Year Ended September 30, 1997
(\$000s)

	Fund							Total
	General	Police	Short Term Debt Proceeds	Bond Proceeds	Public Schools	Water and Sewer	University	
Balance October 1, 1996	\$ 18,826	15,239	4,892	-	-	-	-	38,957
Additions:								
Federal appropriation	573,308	-	-	-	-	1,000	-	574,308
Short term debt	-	-	264,833	-	-	-	-	264,833
Long term debt	-	-	-	400,394	-	-	-	400,394
Capital improvement funds	-	-	-	-	55,042	-	-	55,042
Radio station sale	-	-	-	-	-	-	11,975	11,975
Interfund receivable	1,752	-	-	-	-	-	-	1,752
Interest	3,405	700	1,507	3,480	694	20	5	9,811
Total additions	578,465	700	266,340	403,874	55,736	1,020	11,980	1,318,115
Deductions:								
Principal	553,102	6,017	269,033	314,808	-	735	-	1,143,695
Interest	4,160	402	476	-	-	-	-	5,038
Total deductions	557,262	6,419	269,509	314,808	-	735	-	1,148,733
Balance September 30, 1997	\$ 40,029	9,520	1,723	89,066	55,736	285	11,980	208,339

DISTRICT AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 1997
(\$000s)

	Balance October 1, 1996	Additions	Deductions	Balance September 30, 1997
Deferred Compensation Fund				
ASSETS				
Current Assets:				
Cash and investments	\$ 196,713	71,421	37,572	230,562
Total assets	<u>\$ 196,713</u>	<u>71,421</u>	<u>37,572</u>	<u>230,562</u>
LIABILITIES				
Current Liabilities:				
Other current liabilities	\$ 196,713	33,849	-	230,562
Total liabilities	<u>\$ 196,713</u>	<u>33,849</u>	<u>-</u>	<u>230,562</u>
Other Agency Funds				
ASSETS				
Current Assets:				
Cash and investments	\$ 49,152	198,652	130,176	117,628
Accounts receivable	2,390	-	555	1,835
Other current assets	25,954	169,927	186,167	9,714
Total assets	<u>\$ 77,496</u>	<u>368,579</u>	<u>316,898</u>	<u>129,177</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 70,196	14,048	19,738	64,506
Other current liabilities	7,300	88,783	31,412	64,671
Total liabilities	<u>\$ 77,496</u>	<u>102,831</u>	<u>51,150</u>	<u>129,177</u>
Totals				
ASSETS				
Current Assets:				
Cash and investments	\$ 245,865	270,073	167,748	348,190
Accounts receivable	2,390	-	555	1,835
Other current assets	25,954	169,927	186,167	9,714
Total assets	<u>\$ 274,209</u>	<u>440,000</u>	<u>354,470</u>	<u>359,739</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	\$ 70,196	14,048	19,738	64,506
Other current liabilities	204,013	122,632	31,412	295,233
Total liabilities	<u>\$ 274,209</u>	<u>136,680</u>	<u>51,150</u>	<u>359,739</u>

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DISCRETELY PRESENTED COMPONENT UNITS

Component units are legally separate organizations for which the elected officials of the District are financially accountable. Accountability exists because the governing bodies of all the component units are appointed by the Mayor with the consent of the Council. In addition, the District has an obligation to provide financial support to the general hospital, housing finance and university. The District must approve certain financial transactions of the convention center and sports commission, and certain tax revenues are dedicated to these organizations. All the component units use proprietary fund type accounting. The financial data of the component units are reported separately from the financial data of the primary government.

The **General Hospital Unit** is used to account for the costs of providing medical and surgical treatment to sick and injured residents by the District of Columbia General Hospital. The hospital is governed by eleven commissioners appointed by the Mayor with the consent of the Council. On October 1, 1993, the duties and powers of the commission were transferred for five years to the executive director under the control of the Mayor.

The **Water and Sewer Unit** is used to account for the provision of water and sewer services to residents of the District, suburban Maryland and northern Virginia. All activities necessary to provide such services are accounted for in this unit, including administration, operations, maintenance, debt service, billing and collecting. Depreciation on fixed assets acquired through capital grants is closed to Contributed Capital. The fund is governed by 11 directors, six appointed by the Mayor with the consent of the Council and five appointed by the Mayor upon recommendation by the other participating jurisdictions.

The **Convention Center Unit** is used to account for maintaining and operating the Washington Convention Center for local public shows and exhibitions, civic and community events and gatherings, athletic and cultural events, entertainment and other activities. The convention center is governed by nine directors consisting of the Chief Financial Officer of the District, the Director of the Office of Tourism and Promotions, and seven directors appointed by the Mayor with the consent of the Council.

The **Sports Commission Unit** is used to account for maintaining and operating the National Guard Armory for major athletic events, conventions, concerts and other activities; and for maintaining and operating the Robert F. Kennedy Memorial Stadium for athletic and other events. The Sports Commission promotes the District as a sporting event site; coordinates development and construction of sporting facilities and related infrastructure; manages District owned facilities; and may own and operate a professional sports franchise. The sports commission is governed by 11 directors, consisting of the Chief Financial Officer of the District, the Director of the Department of Recreation and Parks, a District government official appointed by the Mayor and 8 directors appointed by the Mayor with the consent of the Council.

The **Housing Finance Unit** is used to account for cash received from public and private sources to be used for increasing the supply and lowering the cost of money available for residential mortgages and construction loans in order to help alleviate the shortage of adequate housing. Mortgage lenders and the fund make mortgage, construction and rehabilitation loans for single and multifamily rental and home ownership units designed to expand available housing opportunities, achieve neighborhood and fiscal stability, and affect residential economic diversity. The fund is administered by a Housing Finance Agency Board of Directors comprised of five members appointed by the Mayor with the consent of the Council.

The **University Unit** is used to account for the resources received and used by the University of the District of Columbia which is a land-grant institution offering higher education to the public. The university is governed by a Board of Trustees. Eleven members of the board are appointed by the Mayor with the consent of the Council, one member is a full-time student, and three members are appointed by the alumni associations. Depreciation on fixed assets is closed to Contributed Capital.

84 ★ DISTRICT OF COLUMBIA

Exhibit F-1

COMPONENT UNITS COMBINING BALANCE SHEET

September 30, 1997
With Comparative Totals for September 30, 1996
(\$000s)

	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	Univer- sity	Totals	
							1997	1996
ASSETS								
Current Assets:								
Cash and investments	\$ 4,288	20,509	77,811	18,142	458,231	7,607	586,588	473,872
Receivables (net of allowances for uncollectibles):								
Accounts	36,811	51,034	865	409	10,966	4,718	104,803	97,772
Intergovernmental	-	29,285	-	-	-	2,957	32,242	16,845
Intragovernmental	-	54,902	4,066	-	-	11,980	70,948	6,689
Inventories	1,538	18,113	-	-	-	-	19,651	20,258
Other current assets	-	-	3	39	99	2,312	2,453	139
Total current assets	<u>42,637</u>	<u>173,843</u>	<u>82,745</u>	<u>18,590</u>	<u>469,296</u>	<u>29,574</u>	<u>816,685</u>	<u>615,575</u>
Long Term Assets:								
Loans receivable	-	-	-	-	220,343	-	220,343	214,538
Intergovernmental receivables	-	29,188	-	-	-	-	29,188	21,330
Deferred charges	-	3,646	-	-	7,330	-	10,976	12,906
Total long term assets	<u>-</u>	<u>32,834</u>	<u>-</u>	<u>-</u>	<u>227,673</u>	<u>-</u>	<u>260,507</u>	<u>248,774</u>
Fixed Assets:								
Property and equipment	141,809	1,568,390	145,261	32,159	1,004	154,738	2,043,361	2,003,435
Less-accumulated depreciation	92,435	460,941	36,447	23,221	858	77,123	691,025	673,480
Net fixed assets	<u>49,374</u>	<u>1,107,449</u>	<u>108,814</u>	<u>8,938</u>	<u>146</u>	<u>77,615</u>	<u>1,352,336</u>	<u>1,329,955</u>
Total assets	<u>\$ 92,011</u>	<u>1,314,126</u>	<u>191,559</u>	<u>27,528</u>	<u>697,115</u>	<u>107,189</u>	<u>2,429,528</u>	<u>2,194,304</u>
LIABILITIES AND EQUITY								
Current Liabilities:								
Payables:								
Accounts	\$ 14,629	30,143	2,917	791	1,521	5,664	55,665	51,851
Compensation	10,166	5,928	742	327	-	5,692	22,855	21,044
Intergovernmental	-	532	-	-	-	-	532	605
Intragovernmental	85,000	-	-	2,177	-	-	87,177	87,177
Accrued liabilities	-	25,858	-	-	10,170	1,900	37,928	19,140
Deferred revenue	958	30,170	1,229	-	13,214	4,836	50,407	43,522
Current maturities	-	21,651	-	-	-	-	21,651	21,734
Other current liabilities	5,949	12,868	-	650	-	-	19,467	2,191
Total current liabilities	<u>116,702</u>	<u>127,150</u>	<u>4,888</u>	<u>3,945</u>	<u>24,905</u>	<u>18,092</u>	<u>295,682</u>	<u>247,264</u>
Long Term Liabilities:								
Long term debt:								
Intergovernmental notes payable	-	8,816	-	-	-	-	8,816	10,143
General obligation bonds payable	-	251,633	-	-	-	-	251,633	271,842
Loans payable	-	-	-	-	644,675	-	644,675	491,309
Other long term liabilities	-	341,896	-	-	-	-	341,896	340,549
	<u>-</u>	<u>602,345</u>	<u>-</u>	<u>-</u>	<u>644,675</u>	<u>-</u>	<u>1,247,020</u>	<u>1,113,843</u>
Total liabilities	<u>116,702</u>	<u>729,495</u>	<u>4,888</u>	<u>3,945</u>	<u>669,580</u>	<u>18,092</u>	<u>1,542,702</u>	<u>1,361,107</u>
Equity:								
Contributed capital	119,816	397,808	95,941	15,715	-	76,243	705,523	712,394
Retained earnings (deficit)	(144,507)	186,823	90,730	7,868	27,535	12,854	181,303	120,803
Total equity	<u>(24,691)</u>	<u>584,631</u>	<u>186,671</u>	<u>23,583</u>	<u>27,535</u>	<u>89,097</u>	<u>886,826</u>	<u>833,197</u>
Total liabilities and equity	<u>\$ 92,011</u>	<u>1,314,126</u>	<u>191,559</u>	<u>27,528</u>	<u>697,115</u>	<u>107,189</u>	<u>2,429,528</u>	<u>2,194,304</u>

COMPONENT UNITS

COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS

Year Ended September 30, 1997
With Comparative Totals for Year Ended September 30, 1996
(\$000s)

	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	Univer- sity	Totals	
							1997	1996
Operating Revenues:								
Charges for services:								
Public	\$ 30,451	178,166	8,239	9,358	-	9,672	235,886	212,409
Intergovernmental	19,907	24,024	-	-	-	-	43,931	36,374
Intragovernmental	58,681	20,688	-	-	-	11,432	90,801	64,330
Miscellaneous:								
Interest on loans	-	-	-	-	22,383	-	22,383	21,574
Total operating revenues	<u>109,039</u>	<u>222,878</u>	<u>8,239</u>	<u>9,358</u>	<u>22,383</u>	<u>21,104</u>	<u>393,001</u>	<u>334,687</u>
Operating Expenses:								
Personal services	88,652	51,197	9,104	3,285	1,438	54,531	208,207	194,356
Contractual services	22,299	69,989	7,906	1,962	-	6,975	109,131	73,792
Supplies	15,658	14,057	309	53	-	941	31,018	28,816
Occupancy	5,662	16,668	1,443	742	-	9,088	33,603	28,971
Depreciation	6,800	25,696	2,415	1,115	86	3,932	40,044	36,396
Miscellaneous	10,904	10,326	47	737	21,229	12,367	55,610	51,019
Total operating expenses	<u>149,975</u>	<u>187,933</u>	<u>21,224</u>	<u>7,894</u>	<u>22,753</u>	<u>87,834</u>	<u>477,613</u>	<u>413,350</u>
OPERATING INCOME (LOSS)	<u>(40,936)</u>	<u>34,945</u>	<u>(12,985)</u>	<u>1,464</u>	<u>(370)</u>	<u>(66,730)</u>	<u>(84,612)</u>	<u>(78,663)</u>
Nonoperating Revenues (Expenses):								
Intergovernmental	-	-	-	-	22,363	8,945	31,308	26,384
Interest revenue	-	1,656	3,358	-	15,240	1,591	21,845	16,601
Interest expense	-	(14,744)	-	-	(34,130)	-	(48,874)	(48,593)
Fiscal charges	-	(644)	-	-	-	-	(644)	(640)
Miscellaneous	-	-	-	-	-	17,727	17,727	4,737
Total nonoperating revenues	<u>-</u>	<u>(13,732)</u>	<u>3,358</u>	<u>-</u>	<u>3,473</u>	<u>28,263</u>	<u>21,362</u>	<u>(1,511)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(40,936)</u>	<u>21,213</u>	<u>(9,627)</u>	<u>1,464</u>	<u>3,103</u>	<u>(38,467)</u>	<u>(63,250)</u>	<u>(80,174)</u>
Intragovernmental Transfers In:								
General Fund	<u>32,135</u>	<u>-</u>	<u>45,769</u>	<u>-</u>	<u>-</u>	<u>37,797</u>	<u>115,701</u>	<u>130,832</u>
NET INCOME (LOSS)	<u>(8,801)</u>	<u>21,213</u>	<u>36,142</u>	<u>1,464</u>	<u>3,103</u>	<u>(670)</u>	<u>52,451</u>	<u>50,658</u>
Depreciation closed to Contributed Capital	<u>-</u>	<u>4,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,932</u>	<u>8,049</u>	<u>10,834</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	<u>(8,801)</u>	<u>25,330</u>	<u>36,142</u>	<u>1,464</u>	<u>3,103</u>	<u>3,262</u>	<u>60,500</u>	<u>61,492</u>
Retained Earnings (Deficit) at October 1	<u>(135,706)</u>	<u>161,493</u>	<u>54,588</u>	<u>6,404</u>	<u>24,432</u>	<u>9,592</u>	<u>120,803</u>	<u>59,311</u>
Retained Earnings (Deficit) at September 30	<u>\$ (144,507)</u>	<u>186,823</u>	<u>90,730</u>	<u>7,868</u>	<u>27,535</u>	<u>12,854</u>	<u>181,303</u>	<u>120,803</u>

Exhibit F-3

COMPONENT UNITS

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 1997
With Comparative Totals for Year Ended September 30, 1996
(\$000s)

	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	Univer- sity	Totals	
							1997	1996
Operating Activities:								
Cash receipts from customers	\$ 46,383	189,194	8,149	11,249	-	11,800	266,775	244,641
Cash receipts from loans and interest	-	-	-	-	15,107	-	15,107	7,597
Other cash receipts	58,681	20,688	-	-	2,625	29,159	111,153	69,067
Cash payments to vendors	(46,754)	(81,776)	(8,380)	(3,165)	(21,177)	(34,870)	(196,122)	(166,860)
Cash payments to employees	(87,467)	(51,057)	(9,032)	(3,311)	(1,438)	(54,091)	(206,396)	(201,641)
Other cash payments	-	(397)	-	-	-	-	(397)	(14,570)
Net cash provided (used)	(29,157)	76,652	(9,263)	4,773	(4,883)	(48,002)	(9,880)	(61,766)
Capital and Related Financing Activities:								
Acquisitions of fixed assets	(3,869)	(42,325)	(16,261)	(224)	(21)	(2,717)	(65,417)	(43,866)
Proceeds of long term bonds	-	-	-	-	-	-	-	-
Payments of long term debt	-	(22,487)	-	-	-	-	(22,487)	(20,303)
Payments of interest and charges	-	(15,245)	-	-	-	-	(15,245)	(18,223)
Contributions of capital	-	1,784	-	-	-	3,335	5,119	5,278
Net cash provided (used)	(3,869)	(78,273)	(16,261)	(224)	(21)	618	(98,030)	(77,114)
Noncapital Financing Activities:								
Operating grant receipts	-	-	-	-	22,363	9,900	32,263	26,436
Intragovernmental transfers in	32,135	-	45,769	-	-	37,797	115,701	130,832
Proceeds of loans payable	-	-	-	-	245,513	-	245,513	1,720
Payments of loans payable	-	-	-	-	(92,147)	-	(92,147)	(11,160)
Payments of interest and charges	-	-	-	-	(30,432)	(11,980)	(42,412)	(33,558)
Other long term payments	-	(7,858)	-	-	-	-	(7,858)	(1,026)
Receipts from other funds	-	(54,902)	2,623	-	-	-	(52,279)	(5,098)
Net cash provided (used)	32,135	(62,760)	48,392	-	145,297	35,717	198,781	108,146
Investing Activities:								
Receipts of interest and dividends	-	1,656	3,358	-	15,240	1,591	21,845	16,601
Net cash provided	-	1,656	3,358	-	15,240	1,591	21,845	16,601
INCREASE (DECREASE) IN CASH	(891)	(62,725)	26,226	4,549	155,633	(10,076)	112,716	(14,133)
Cash and Investments at October 1	5,179	83,234	51,585	13,593	302,598	17,683	473,872	488,005
Cash and Investments at September 30	\$ 4,288	20,509	77,811	18,142	458,231	7,607	586,588	473,872
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:								
Operating income (loss)	\$ (40,936)	34,945	(12,985)	1,464	(370)	(66,730)	(84,612)	(78,663)
Depreciation	6,800	25,696	2,415	1,115	86	3,932	40,044	36,396
Miscellaneous nonoperating revenues	-	-	-	-	-	17,727	17,727	4,737
Loss on dispositions of fixed assets	59	(991)	(1)	25	-	-	(908)	261
Decrease (increase) in assets:								
Receivables	(17,106)	(20,642)	(493)	1,913	(2,321)	(1,940)	(40,589)	(15,478)
Allowances for uncollectibles	13,143	-	(8)	(22)	-	246	13,359	2,267
Inventories	(245)	852	-	-	-	-	607	1,700
Other current assets	-	-	(2)	13	(13)	(2,312)	(2,314)	3,049
Loans receivable	-	-	-	-	(5,805)	-	(5,805)	(14,611)
Increase (decrease) in liabilities:								
Payables	3,986	7,612	1,398	150	52	(2,297)	10,901	(7,310)
Accrued liabilities	-	17,999	-	-	-	(450)	17,549	348
Deferred revenue	(12)	(826)	413	-	3,488	3,822	6,885	10,753
Other current liabilities	5,154	12,007	-	115	-	-	17,276	(5,215)
Net cash provided (used)	(29,157)	76,652	(9,263)	4,773	(4,883)	(48,002)	(9,880)	(61,766)
Noncash contributions of capital	\$ -	-	-	-	-	1,048	1,048	1,053

SUPPORTING SCHEDULES

Supporting schedules are financial presentations used to aggregate and present in greater detail information spread throughout the financial statements and to present additional information not disclosed in GAAP financial statements.

A supporting budgetary schedules are presented to demonstrate budgetary compliance with the legally adopted operating budget that includes the General Fund, enterprise fund, component units, and the administrative costs of the Pension Trust.

Supporting schedules of financial operation and activity, which exclude pension trust funds, are aggregated using the flow of financial resources measurement focus and the accrual basis of accounting. With this measurement focus, all capital asset and debt transactions are presented in the schedules and depreciation of fixed assets is not reported as an expense. General Fund and special revenue fund purchases of equipment are included in functional expenditures. Under the accrual basis of accounting, revenues are presented when earned and expenditures, except accreted interest, are presented when the related liabilities are incurred. The results of operations are reclassified in conformity with GAAP in order to provide a reconciliation with the general purpose financial statements.

A supporting schedule presents the comparative cash flows of the General Fund, reconciled to the operating excess (deficiency).

88 ★ DISTRICT OF COLUMBIA**Exhibit G-1****FINANCIAL REPORTING ENTITY****COMBINED SCHEDULE OF BUDGETARY BASIS EXPENDITURES
(Excludes PL104-194 Deficit Target Adjustments)****Year Ended September 30, 1997
(\$000s)**

	Budget		Actual	Variance
	Original	Revised		
Government Direction and Support:				
City Council	\$ 8,878	8,438	7,926	512
DC Auditor	982	962	840	122
Advisory Neighborhood Commissions	572	562	551	11
Mayor	1,477	1,425	1,410	15
Executive Secretary	1,730	1,690	1,663	27
Inspector General	7,200	7,070	6,557	513
Communications	112	110	90	20
Intergovernmental Relations	684	671	645	26
City Administrator	3,944	3,827	2,913	914
Personnel	9,566	9,784	8,856	928
Administrative Services	12,602	13,186	13,019	167
Contract Appeals	563	550	559	(9)
Chief Financial Officer	1,269	3,911	3,797	114
Budget and Planning	2,574	2,516	2,254	262
Financial Operations and Systems	23,186	20,567	20,191	376
Tax and Revenue	22,339	22,079 *	22,057	22
Tax Revision	-	295	295	-
Elections and Ethics	2,777	3,007	2,967	40
Campaign Finance	804	785	728	57
Public Employee Relations	325	412	394	18
Employee Appeals	1,113	1,116	1,076	40
Council of Governments	396	396	396	-
Grants Management and Development	12,570	13,508	4,453	9,055
Total government direction and support	115,663	116,867	103,637	13,230
Economic Development and Regulation:				
Business Services and Economic Development	40,127	44,099	32,926	11,173
Zoning	870	858	721	137
Housing Authority Payment	8,330	8,163	6,508	1,655
Employment Services	65,001	68,386	53,509	14,877
Appeals and Review	157	153	168	(15)
Real Property Assessment and Appeals	351	343	276	67
Consumer and Regulatory Affairs	13,861	15,023	11,570	3,453
Public Service Commission	4,570	4,547	4,315	232
Peoples' Counsel	2,437	2,428	2,134	294
Total economic development and regulation	135,704	144,000	112,127	31,873
Public Safety and Justice:				
Police	260,600	274,428	261,440	12,988
Fire and Emergency Medical Services	106,648	100,912	98,100	2,812
Police and Firefighter Retirement Contribution	226,700	226,700	226,700	-
Judges' Retirement Contribution	5,500	5,500	5,500	-
Court of Appeals	6,167	6,166	6,109	57
Superior Court	75,855	77,384	75,909	1,475
Court System	36,291	36,291	36,418	(127)
Corporation Counsel	12,843	13,045	13,150	(105)
Payment of Settlements and Judgments	14,800	15,706	15,741	(35)
Public Defender	7,797	7,797	7,797	-
Pretrial Services	5,287	6,059	4,320	1,739
Corrections	270,519	266,700	258,832	7,868
Parole Board	8,277	8,131	5,957	2,174
National Guard	902	876	852	24
Emergency Preparedness	2,887	3,128	2,348	780
Judicial Disabilities and Tenure	128	125	120	5
Judicial Nomination	80	78	66	12
Total public safety and justice	1,041,281	1,049,026	1,019,359	29,667

	Budget		Actual	Variance
	Original	Revised		
Public Education System:				
Public Schools	576,265	594,163	554,018	40,145
Teachers' Retirement Contribution	88,100	88,100	88,100	-
University	69,801	93,912	74,750	19,162
Public Library	22,429	22,476	21,824	652
Arts and Humanities	2,220	2,187	2,048	139
Total public education system	758,815	800,838	740,740	60,098
Human Support Services:				
Human Services	1,537,127	1,661,815	1,608,928	52,887
Recreation and Parks	30,415	25,504	25,942	(438)
Aging	19,026	18,803	17,861	942
Hospital Payment	59,735	32,135	32,135	-
Unemployment Compensation Contribution	7,678	11,206	11,150	56
Employee Disability Compensation	24,793	23,161	22,783	378
Human Rights and Minority Business Opportunity	939	915	780	135
Latino Affairs	668	640	603	37
Energy	5,326	6,064	5,168	896
Total human support services	1,685,707	1,780,243	1,725,350	54,893
Public Works:				
Public Works	111,206	110,190	105,526	4,664
Taxicab Commission	1,000	990	720	270
Washington Metropolitan Area Transit Commission	96	96	91	5
Washington Metropolitan Area Transit Authority	131,820	129,008	129,003	5
School Transit Subsidy	3,845	3,839	2,946	893
Total public works	247,967	244,123	238,286	5,837
Other:				
Washington Convention Center Payment	5,400	5,400	5,400	-
Repayment of Bonds and Interest	333,710	348,660	426,992	(78,332)
Repayment of General Fund Deficit Bonds	38,314	39,000	37,936	1,064
Interest on Short Term Borrowing	34,461	18,825	12,633	6,192
Inaugural Expenses	5,702	5,702	3,503	2,199
Certificates of Participation	7,926	7,926	7,831	95
Human Resource Development	12,257	11,447	6,538	4,909
Cost Reduction Initiatives:				
Real Estate	(4,488)	-	-	-
Management Information Systems	(6,317)	-	-	-
Energy	(2,271)	-	-	-
Purchasing and Procurement	(12,960)	-	-	-
Workforce	(21,375)	-	-	-
Water and Sewer Authority	195,619	195,619	202,866	(7,247)
Washington Aqueduct	25,743	25,743	9,655	16,088
Lottery and Games	247,900	247,900	202,020	45,880
Cable Television	2,511	2,467	1,777	690
Sports Commission	8,717	8,681	3,307	5,374
Hospital Operations	52,684	52,684	55,934	(3,250)
Retirement Board Administration	16,667	16,667	12,867	3,800
Correctional Industries	3,052	3,052	3,209	(157)
Washington Convention Center Operations	42,596	42,596	34,390	8,206
Financial Responsibility Authority	3,400	3,220	3,187	33
Water and Sewer Cash Repayment	21,500	21,500	21,500	-
Total other	1,010,748	1,057,089	1,051,545	5,544
Total budget	\$ 4,995,885	5,192,186	4,991,044	201,142

90 ★ DISTRICT OF COLUMBIA

Exhibit G-2

FINANCIAL REPORTING ENTITY

COMBINED SCHEDULE OF BUDGETARY BASIS OPERATIONS BY SOURCE OF FUNDS

Year Ended September 30, 1997
(\$000s)

	Local Source				Federal Grants			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
General Fund:								
Revenues	\$ 3,322,430	3,346,719	3,490,467	143,748	855,401	1,028,726	887,758	(140,968)
Expenditures and PL 104-194 deficit target	3,396,430	3,420,719	3,380,122	40,597	855,401	1,028,726	891,766	136,960
Excess (Deficiency)	(74,000)	(74,000)	110,345	184,345	-	-	(4,008)	(4,008)
Water and Sewer Utility:								
Water and Sewer Authority:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Washington Aqueduct:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Total Water and Sewer Utility:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Lottery and Games:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Cable Television:								
Revenues	2,179	2,135	2,474	339	-	-	-	-
Expenditures	2,179	2,135	1,620	515	-	-	-	-
Excess (Deficiency)	-	-	854	854	-	-	-	-
Sports Commission:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Hospital Operations:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Retirement Board Administration:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Correctional Industries:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Washington Convention Center Operations:								
Revenues	-	-	-	-	-	-	-	-
Expenditures	-	-	-	-	-	-	-	-
Excess (Deficiency)	-	-	-	-	-	-	-	-
Total:								
Revenues	3,324,609	3,348,854	3,492,941	144,087	855,401	1,028,726	887,758	(140,968)
Expenditures and PL 104-194 deficit target	3,398,609	3,422,854	3,381,742	41,112	855,401	1,028,726	891,766	136,960
Excess (Deficiency)	\$ (74,000)	(74,000)	111,199	185,199	-	-	(4,008)	(4,008)

	Private and Other				Total			
	Original Budget	Revised Budget	Actual	Variance	Original Budget	Revised Budget	Actual	Variance
General Fund:								
Revenues	123,568	147,332	195,670	48,338	4,301,399	4,522,777	4,573,895	51,118
Expenditures and PL 104-194 deficit target	123,568	147,332	193,131	(45,799)	4,375,399	4,596,777	4,465,019	131,758
Excess (Deficiency)	-	-	2,539	2,539	(74,000)	(74,000)	108,876	182,876
Water and Sewer Utility:								
Water and Sewer Authority:								
Revenues	195,619	195,619	252,998	57,379	195,619	195,619	252,998	57,379
Expenditures	195,619	195,619	202,866	(7,247)	195,619	195,619	202,866	(7,247)
Excess (Deficiency)	-	-	50,132	50,132	-	-	50,132	50,132
Washington Aqueduct:								
Revenues	25,743	25,743	4,310	(21,433)	25,743	25,743	4,310	(21,433)
Expenditures	25,743	25,743	9,655	16,088	25,743	25,743	9,655	16,088
Excess (Deficiency)	-	-	(5,345)	(5,345)	-	-	(5,345)	(5,345)
Total Water and Sewer Utility:								
Revenues	221,362	221,362	257,308	35,946	221,362	221,362	257,308	35,946
Expenditures	221,362	221,362	212,521	8,841	221,362	221,362	212,521	8,841
Excess (Deficiency)	-	-	44,787	44,787	-	-	44,787	44,787
Lottery and Games:								
Revenues	247,900	247,900	205,539	(42,361)	247,900	247,900	205,539	(42,361)
Expenditures	247,900	247,900	202,020	45,880	247,900	247,900	202,020	45,880
Excess (Deficiency)	-	-	3,519	3,519	-	-	3,519	3,519
Cable Television:								
Revenues	332	332	157	(175)	2,511	2,467	2,631	164
Expenditures	332	332	157	175	2,511	2,467	1,777	690
Excess (Deficiency)	-	-	-	-	-	-	854	854
Sports Commission:								
Revenues	8,717	8,681	9,339	658	8,717	8,681	9,339	658
Expenditures	8,717	8,681	3,307	5,374	8,717	8,681	3,307	5,374
Excess (Deficiency)	-	-	6,032	6,032	-	-	6,032	6,032
Hospital Operations:								
Revenues	52,684	52,684	39,292	(13,392)	52,684	52,684	39,292	(13,392)
Expenditures	52,684	52,684	55,934	(3,250)	52,684	52,684	55,934	(3,250)
Excess (Deficiency)	-	-	(16,642)	(16,642)	-	-	(16,642)	(16,642)
Retirement Board Administration:								
Revenues	16,667	16,667	12,867	(3,800)	16,667	16,667	12,867	(3,800)
Expenditures	16,667	16,667	12,867	3,800	16,667	16,667	12,867	3,800
Excess (Deficiency)	-	-	-	-	-	-	-	-
Correctional Industries:								
Revenues	3,052	3,052	4,780	1,728	3,052	3,052	4,780	1,728
Expenditures	3,052	3,052	3,209	(157)	3,052	3,052	3,209	(157)
Excess (Deficiency)	-	-	1,571	1,571	-	-	1,571	1,571
Washington Convention Center Operations:								
Revenues	42,596	42,596	57,366	14,770	42,596	42,596	57,366	14,770
Expenditures	42,596	42,596	34,390	8,206	42,596	42,596	34,390	8,206
Excess (Deficiency)	-	-	22,976	22,976	-	-	22,976	22,976
Total:								
Revenues	716,878	740,606	782,318	41,712	4,896,888	5,118,186	5,163,017	44,831
Expenditures and PL 104-194 deficit target	716,878	740,606	717,536	23,070	4,970,888	5,192,186	4,991,044	201,142
Excess (Deficiency)	-	-	64,782	64,782	(74,000)	(74,000)	171,973	245,973

92 ★ DISTRICT OF COLUMBIA

Exhibit G-3

FINANCIAL REPORTING ENTITY

COMBINED SCHEDULE OF BUDGET REVISIONS

Year Ended September 30, 1997
(\$000s)

	Local Source					Federal Grants		
	Original Budget	Initial Allocation	Repro-gramming	Other Allocations	Revised Budget	Original Budget	Revenue Change	Revised Budget
Revenues and Sources:								
Taxes:								
Real property taxes	\$ 626,100	-	-	2,365	628,465	-	-	-
Sales and use taxes	520,600	-	-	12,800	533,400	-	-	-
Individual income taxes	657,700	-	-	27,200	684,900	-	-	-
Other taxes	531,106	-	-	1,294	532,400	-	-	-
Total taxes	2,335,506	-	-	43,659	2,379,165	-	-	-
Licenses and permits	49,378	-	-	122	49,500	-	-	-
Fines and forfeits	45,310	-	-	(3,210)	42,100	-	-	-
Charges for services	52,826	-	-	(8,526)	44,300	-	-	-
Miscellaneous	29,408	(44)	-	9,171	38,535	-	-	-
Intergovernmental	665,702	-	-	-	665,702	855,401	173,325	1,028,726
Surplus property sales	24,000	-	-	705	24,705	-	-	-
Transfers	75,799	-	-	(3,199)	72,600	-	-	-
Revenue initiatives	46,680	5,619	-	(20,052)	32,247	-	-	-
Total revenues and sources	3,324,609	5,575	-	18,670	3,348,854	855,401	173,325	1,028,726
Expenditures and Uses:								
Governmental direction and support	98,691	(5,142)	-	5,121	98,670	12,192	995	13,187
Economic development and regulation	67,196	(4,501)	810	1,832	65,337	45,708	10,125	55,833
Public safety and justice	1,012,112	(18,389)	-	3,238	996,961	19,310	19,552	38,862
Public education system	632,379	(8,738)	-	6,400	630,041	98,479	26,538	125,017
Human support services	961,399	(24,556)	-	1,282	938,125	676,665	115,660	792,325
Public works	234,391	(5,283)	-	797	229,905	3,047	455	3,502
Washington Convention Center payment	5,400	-	-	-	5,400	-	-	-
Repayment of bonds and interest	333,710	-	14,950	-	348,660	-	-	-
Repayment of General Fund deficit bonds	38,314	-	686	-	39,000	-	-	-
Interest on short term borrowing	34,461	-	(15,636)	-	18,825	-	-	-
Inaugural expenses	5,702	-	-	-	5,702	-	-	-
Certificates of participation	7,926	-	-	-	7,926	-	-	-
Human resource development	12,257	-	(810)	-	11,447	-	-	-
Cost reduction initiatives	(47,411)	47,411	-	-	-	-	-	-
Water and Sewer Authority	-	-	-	-	-	-	-	-
Washington Aqueduct	-	-	-	-	-	-	-	-
Lottery and Games	-	-	-	-	-	-	-	-
Cable Television	2,179	(44)	-	-	2,135	-	-	-
Sports Commission	-	-	-	-	-	-	-	-
Hospital operations	-	-	-	-	-	-	-	-
Retirement Board administration	-	-	-	-	-	-	-	-
Correctional Industries	-	-	-	-	-	-	-	-
Washington Convention Center operations	-	-	-	-	-	-	-	-
Financial Responsibility Authority	3,400	(180)	-	-	3,220	-	-	-
Water and Sewer cash repayment	21,500	-	-	-	21,500	-	-	-
Total expenditures and uses	3,423,606	(19,422)	-	18,670	3,422,854	855,401	173,325	1,028,726
Subtotal	(98,997)	24,997	-	-	(74,000)	-	-	-
PL 104-194 Deficit Target (Additions)								
Deductions	24,997	(24,997)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses	\$ (74,000)	-	-	-	(74,000)	-	-	-

	Private and Other			Total					
	Original Budget	Revenue Change	Revised Budget	Original Budget	Initial Allocation	Repro-gramming	Revenue Change	Other Allocations	Revised Budget
Revenues and Sources:									
Taxes:									
Real property taxes	-	-	-	626,100	-	-	-	2,365	628,465
Sales and use taxes	-	-	-	520,600	-	-	-	12,800	533,400
Individual income taxes	-	-	-	657,700	-	-	-	27,200	684,900
Other taxes	-	-	-	531,106	-	-	-	1,294	532,400
Total taxes	-	-	-	2,335,506	-	-	-	43,659	2,379,165
Licenses and permits	-	-	-	49,378	-	-	-	122	49,500
Fines and forfeits	-	-	-	45,310	-	-	-	(3,210)	42,100
Charges for services	-	-	-	52,826	-	-	-	(8,526)	44,300
Miscellaneous	716,878	23,728	740,606	746,286	(44)	-	23,728	9,171	779,141
Intergovernmental	-	-	-	1,521,103	-	-	173,325	-	1,694,428
Surplus property sales	-	-	-	24,000	-	-	-	705	24,705
Transfers	-	-	-	75,799	-	-	-	(3,199)	72,600
Revenue initiatives	-	-	-	46,680	5,619	-	-	(20,052)	32,247
Total revenues and sources	716,878	23,728	740,606	4,896,888	5,575	-	197,053	18,670	5,118,186
Expenditures and Uses:									
Governmental direction and support	4,780	230	5,010	115,663	(5,142)	-	1,225	5,121	116,867
Economic development and regulation	22,800	30	22,830	135,704	(4,501)	810	10,155	1,832	144,000
Public safety and justice	9,859	3,344	13,203	1,041,281	(18,389)	-	22,896	3,238	1,049,026
Public education system	27,957	17,823	45,780	758,815	(8,738)	-	44,361	6,400	800,838
Human support services	47,643	2,150	49,793	1,685,707	(24,556)	-	117,810	1,282	1,780,243
Public works	10,529	187	10,716	247,967	(5,283)	-	642	797	244,123
Washington Convention Center payment	-	-	-	5,400	-	-	-	-	5,400
Repayment of bonds and interest	-	-	-	333,710	-	14,950	-	-	348,660
Repayment of General Fund deficit bonds	-	-	-	38,314	-	686	-	-	39,000
Interest on short term borrowing	-	-	-	34,461	-	(15,636)	-	-	18,825
Inaugural expenses	-	-	-	5,702	-	-	-	-	5,702
Certificates of participation	-	-	-	7,926	-	-	-	-	7,926
Human resource development	-	-	-	12,257	-	(810)	-	-	11,447
Cost reduction initiatives	-	-	-	(47,411)	47,411	-	-	-	-
Water and Sewer Authority	195,619	-	195,619	195,619	-	-	-	-	195,619
Washington Aqueduct	25,743	-	25,743	25,743	-	-	-	-	25,743
Lottery and Games	247,900	-	247,900	247,900	-	-	-	-	247,900
Cable Television	332	-	332	2,511	(44)	-	-	-	2,467
Sports Commission	8,717	(36)	8,681	8,717	-	-	(36)	-	8,681
Hospital operations	52,684	-	52,684	52,684	-	-	-	-	52,684
Retirement Board administration	16,667	-	16,667	16,667	-	-	-	-	16,667
Correctional Industries	3,052	-	3,052	3,052	-	-	-	-	3,052
Washington Convention Center operations	42,596	-	42,596	42,596	-	-	-	-	42,596
Financial Responsibility Authority	-	-	-	3,400	(180)	-	-	-	3,220
Water and Sewer cash repayment	-	-	-	21,500	-	-	-	-	21,500
Total expenditures and uses	716,878	23,728	740,606	4,995,885	(19,422)	-	197,053	18,670	5,192,186
Subtotal	-	-	-	(98,997)	24,997	-	-	-	-
PL 104-194 Deficit Target (Additions)									
Deductions	-	-	-	24,997	(24,997)	-	-	-	-
Excess (Deficiency) of Revenues and Sources Over (Under) Expenditures and Uses									
	-	-	-	(74,000)	-	-	-	-	(74,000)

94 ★ DISTRICT OF COLUMBIA

Exhibit G-4

FINANCIAL REPORTING ENTITY COMBINING SCHEDULE OF FINANCIAL OPERATION Year Ended September 30, 1997 With Comparative Totals for Year Ended September 30, 1996 (\$000s)

	Financial										Totals		
	General	Responsibility Authority	Capital Projects	Lottery and Games	Expendable Trust	General Hospital	Water and Sewer	Convention Center	Sports Commission	Housing Finance	University	1997	1996
Revenue s:													
Taxes	\$ 2,577,344	-	-	-	97,179	-	-	-	-	-	-	2,674,523	2,636,092
Licenses and permits	45,490	-	-	-	-	-	-	-	-	-	-	45,490	49,400
Fines and forfeits	51,664	-	-	-	-	-	-	-	-	-	-	51,664	40,792
Charges for services	87,384	2,016	-	90,276	-	109,039	222,878	8,239	9,358	22,383	21,104	572,677	538,890
Benefit contributions	-	-	-	-	23,630	-	-	-	-	-	-	23,630	22,118
Miscellaneous	142,648	251	-	2,469	7,546	-	1,656	3,358	-	15,240	19,318	192,486	145,658
Intergovernmental	1,571,759	-	-	-	-	-	-	-	-	22,363	8,945	1,603,067	1,647,332
Transfers in	69,200	6,030	28,331	-	-	32,135	-	45,769	-	-	-	219,262	244,424
Total revenues	4,545,489	8,297	28,331	92,745	128,355	141,174	224,534	57,366	9,358	59,986	87,164	5,382,799	5,324,706
Expenditure s:													
General direction	153,777	8,344	-	-	-	-	-	-	-	-	-	162,121	160,929
Economic development	154,754	-	-	-	-	-	-	-	-	22,667	-	177,421	159,444
Public safety and justice	994,555	-	-	-	-	-	-	-	-	-	-	994,555	999,298
Public education	667,384	-	-	-	-	-	-	-	-	-	83,902	751,286	791,492
Human support services	1,602,026	-	-	23,011	103,731	143,175	-	18,809	6,779	-	-	1,897,531	2,019,521
Public works	259,490	-	-	-	-	-	162,237	-	-	-	-	421,727	421,242
Interest and charges	187,652	-	-	-	-	-	15,388	-	-	34,130	-	237,170	225,690
Transfers out	149,087	-	-	69,200	-	-	-	-	-	-	-	218,287	244,424
Total expenditures	4,168,725	8,344	-	92,211	103,731	143,175	177,625	18,809	6,779	56,797	83,902	4,860,098	5,022,046
OPERATING EXCESS (DEFICIENCY)													
	376,764	(47)	28,331	534	24,624	(2,001)	46,909	38,557	2,579	3,189	3,262	522,701	302,660
Capital Sources (Use)s:													
Capital acquisitions	-	-	(211,386)	(3,516)	-	(3,506)	(886)	12,307	(224)	(21)	(236)	(207,468)	(165,630)
Capital contributions	-	-	93,093	-	-	-	-	-	-	-	1,902	94,995	44,960
Interest	-	-	5,633	-	-	-	-	-	-	-	-	5,633	578
Lease acquisitions and asset sales	57,497	572	-	-	-	-	-	-	-	245,513	-	58,069	-
Bond proceeds	71,703	-	326,120	-	-	-	-	-	-	643,336	-	643,336	135,610
Debt payments	(280,300)	-	-	-	-	-	(32,186)	-	-	92,147	-	(220,339)	(229,938)
Total capital sources (uses)	(151,100)	572	213,460	(3,516)	-	(3,506)	(33,072)	12,307	(224)	337,639	1,666	374,226	(214,420)
NET EXCESS (DEFICIENCY)													
	225,664	525	241,791	(2,982)	24,624	(5,507)	13,837	50,864	2,355	340,828	4,928	896,927	88,240
Reclassification to GAAP basis													
	(39,772)	-	-	3,116	-	(3,294)	11,493	(14,722)	(891)	(337,725)	(1,666)	(383,461)	(92,768)
INCREASE (DECREASE) IN BALANCES													
	185,892	525	241,791	134	24,624	(8,801)	25,330	36,142	1,464	3,103	3,262	513,466	(4,528)
Balances at October 1													
	(518,249)	445	(102,562)	2,917	122,215	(135,706)	161,493	54,588	6,404	24,432	9,592	(374,431)	(369,903)
Balances at September 30													
\$	(332,357)	970	139,229	3,051	146,839	(144,507)	186,823	90,730	7,868	27,535	12,854	139,035	(374,431)

FINANCIAL REPORTING ENTITY

COMPARATIVE SCHEDULES OF FINANCIAL ACTIVITY

Years Ended September 30, 1997 and 1996
(\$000s)

	Gross Cost	1997				1996		Difference	
		District	Resources Federal	Net Cost	% of Revenue	Net Cost	% of Revenue	Better or (Worse)	
								Amount	%
General Revenues:									
Sovereign:									
Taxes	\$ -	2,577,344	-	2,577,344	74.0 %	\$ 2,517,044	74.4 %	\$ 60,300	2.4 %
Licenses and permits	-	45,490	-	45,490	1.3	49,400	1.5	(3,910)	(7.9)
Fines and forfeits	-	51,664	-	51,664	1.5	40,792	1.2	10,872	26.7
Miscellaneous:									
Interest	-	18,619	-	18,619	0.5	18,491	0.5	128	0.7
Other	-	124,029	-	124,029	3.6	97,589	2.9	26,440	27.1
Intergovernmental:									
Payment in lieu of taxes	-	-	665,702	665,702	19.1	660,000	19.5	5,702	0.9
Total general revenues	-	2,817,146	665,702	3,482,848	100.0	3,383,316	100.0	99,532	2.9
Cost of Operating:									
Governmental:									
General direction	153,777	5,783	4,053	143,941	4.1	146,842	4.3	2,901	2.0
Economic development	154,754	28,609	59,990	66,155	1.9	57,566	1.7	(8,589)	(14.9)
Public safety and justice	994,555	18,315	22,467	953,773	27.4	975,445	28.8	21,672	2.2
Public education	667,384	2,335	73,436	591,613	16.9	636,461	18.8	44,848	7.0
Human support services	1,602,026	4,615	739,880	857,531	24.6	945,228	28.0	87,697	9.3
Public works	259,490	27,727	6,231	225,532	6.5	204,567	6.0	(20,965)	(10.2)
Interest and charges	187,652	-	-	187,652	5.4	176,457	5.2	(11,195)	(6.3)
Transfers	149,087	97,531	-	51,556	1.5	55,582	1.7	4,026	7.2
Special Revenue:									
General direction	8,344	8,297	-	47	-	3,207	0.1	3,160	98.5
Enterprise:									
Lottery and games	92,211	92,745	-	(534)	-	(770)	-	(236)	(30.6)
Trust:									
Expendable	103,731	128,355	-	(24,624)	(0.7)	(32,875)	(1.0)	(8,251)	(25.1)
Component Units:									
General Hospital	143,175	141,174	-	2,001	0.1	(14,725)	(0.4)	(16,726)	(113.6)
Water and Sewer	177,625	224,534	-	(46,909)	(1.3)	(19,551)	(0.6)	27,358	139.9
Convention Center	18,809	57,366	-	(38,557)	(1.1)	(31,099)	(0.9)	7,458	24.0
Sports Commission	6,779	9,358	-	(2,579)	(0.1)	(6,003)	(0.2)	(3,424)	(57.0)
Housing Finance	56,797	37,623	22,363	(3,189)	(0.1)	(15,200)	(0.4)	(12,011)	(79.0)
University	83,902	78,219	8,945	(3,262)	(0.1)	(476)	-	2,786	585.3
Net cost of operating	4,860,098	962,586	937,365	2,960,147	85.0	3,080,656	91.1	120,509	3.9
CURRENT INCOME	4,860,098	3,779,732	1,603,067	522,701	15.0	302,660	8.9	220,041	72.7
Cost of Investing (Financing):									
Fixed assets	207,468	65,604	93,093	48,771	1.4	120,092	3.5	71,321	59.4
Long term debt	220,339	643,336	-	(422,997)	(12.1)	94,328	2.8	517,325	548.4
Net cost of investing	427,807	708,940	93,093	(374,226)	(10.7)	214,420	6.3	588,646	274.5
FINANCIAL FLOW IN	5,287,905	4,488,672	1,696,160	896,927	25.7	88,240	2.6	808,687	916.5
Reclassification to GAAP Basis:									
Employee benefits	(39,772)	-	-	(39,772)	(1.1)	10,733	0.3	(50,505)	(470.6)
Depreciation	(32,395)	-	-	(32,395)	(0.9)	(26,071)	(0.8)	(6,324)	(24.3)
Fixed assets	(3,918)	1,902	-	(5,820)	(0.2)	19,489	0.6	(25,309)	(129.9)
Long term debt	(59,961)	245,513	-	(305,474)	(8.8)	(96,919)	(2.8)	(208,555)	(215.2)
Total reclassification	(136,046)	247,415	-	(383,461)	(11.0)	(92,768)	(2.7)	(290,693)	(313.4)
INCREASE (DECREASE)									
IN BALANCES	\$ 5,423,951	4,241,257	1,696,160	513,466	14.7 %	\$ (4,528)	(0.1) %	\$ 517,994	11,439.8 %

96 ★ DISTRICT OF COLUMBIA

Exhibit G-6

GENERAL FUND

COMPARATIVE SCHEDULES OF CASH FLOWS

Years Ended September 30, 1997 and 1996

(\$000s)

	1997	1996
Operating Activities:		
Cash receipts from taxes, licenses and fines	\$ 2,704,710	2,554,867
Cash receipts from payment in lieu of taxes	665,702	660,000
Cash receipts from operating grants	829,020	683,511
Cash receipts from customers	78,443	100,890
Other cash receipts	123,854	97,654
Cash payments to vendors	(1,108,980)	(789,754)
Cash payments to employees	(1,847,533)	(1,915,416)
Cash payments to welfare recipients	(954,585)	(1,052,781)
Net cash provided	<u>490,631</u>	<u>338,971</u>
Capital and Related Financing Activities:		
Acquisitions of fixed assets (1)	(27,272)	(16,512)
Payments of long term debt (1)	(181,803)	(165,857)
Payments of interest and charges (1)	(174,360)	(168,806)
Net cash provided (used)	<u>(383,435)</u>	<u>(351,175)</u>
Noncapital Financing Activities:		
Proceeds of refunding bonds	71,703	-
Payments of refunded debt	(70,914)	-
Payments of refunding charges	(1,483)	-
Interfund transfers in	69,200	75,250
Interfund transfers out	(33,386)	(35,192)
Intragovernmental transfers out	(115,701)	(130,832)
Sale of fixed assets	53,647	-
Payments of funding bonds (1)	(26,100)	(25,390)
Payments of funding interest (1)	(18,789)	2,548
Receipts (payments) of interfund loans (1)	23,271	(9,851)
Receipts (payments) of intergovernmental loans (1)	(59,900)	136,300
Receipts (payments) of other loans (1)	83,601	3,189
Payments of loan interest (1)	(16,167)	-
Net cash provided (used)	<u>(41,018)</u>	<u>16,022</u>
Investing Activities:		
Receipts of interest and dividends (1)	18,794	14,538
Net cash provided (used)	<u>18,794</u>	<u>14,538</u>
INCREASE IN CASH	84,972	18,356
Cash and Investments at October 1	222,247	203,891
Cash and Investments at September 30	\$ 307,219	222,247
Reconciliation of Operating Excess to Net Cash Provided by Operating Activities:		
Excess of revenues over expenditures	\$ 208,976	15,452
Capital Lease	3,850	-
Adjustments for nonoperating activities (sum of 1s)	378,725	229,841
Decrease (increase) in assets:		
Receivables	11,495	(86,469)
Allowances for uncollectibles	(2,396)	24,084
Inventories	(3,726)	2,997
Other current assets	(986)	(2,235)
Increase (decrease) in liabilities:		
Payables	(13,700)	22,401
Accrued liabilities	(123,991)	(5,538)
Deferred revenue	14,055	2,046
Short term debt - intergovernmental	14,100	136,300
Other current liabilities	4,229	92
Net cash provided	<u>\$ 490,631</u>	<u>338,971</u>
Noncash contributions	<u>\$ 92,516</u>	<u>99,457</u>

STATISTICAL SECTION

The statistical section contains tables which differ from financial statements because they usually cover more than two fiscal years and may present nonaccounting data. Statistical tables reflect social and economic data, financial trends and the fiscal capacity of the District.

GENERAL FUND REVENUES BY SOURCE

Last Ten Fiscal Years
(\$000s)

Fiscal Year	Taxes	Licenses and Permits	Fines and Forfeits	Charges for Services	Miscellaneous	Total District Sources	Intergovernmental Payments	Grants	Total (Exhibit A-2)	Excess (Deficiency)
1988	\$ 2,021,912	31,601	41,594	124,943	129,664	2,349,714	459,500	555,197	3,364,411	(14,279)
1989	2,204,598	33,069	45,511	125,756	93,490	2,502,424	453,800	532,967	3,489,191	5,469
1990	2,279,127	32,285	48,542	139,554	98,431	2,597,939	506,966	575,357	3,680,262	(118,186)
1991	2,371,732	32,997	53,026	148,810	125,323	2,731,888	625,231	628,370	3,985,489	333,159
1992	2,384,300	41,856	51,860	148,723	122,952	2,749,691	643,772	695,616	4,089,079	1,986
1993	2,557,852	44,564	51,845	138,156	112,012	2,904,429	635,930	759,845	4,300,204	7,766
1994	2,470,053	49,098	48,107	137,361	127,628	2,832,247	647,930	960,708	4,440,885	(335,428)
1995	2,391,041	47,583	42,447	120,033	128,008	2,729,112	660,000	951,848	4,340,960	(54,428)
1996	2,517,044	49,400	40,792	108,321	116,080	2,831,637	660,000	960,948	4,452,585	(33,688)
1997	2,577,344	45,490	51,664	87,384	142,648	2,904,530	665,702	906,057	4,476,289	185,892

GENERAL FUND EXPENDITURES AND USES BY FUNCTION

Last Ten Fiscal Years
(\$000s)

Fiscal Year	Govern- mental Direction	Economic Develop- ment	Public Safety	Public Education	Human Services	Public Works	Future Employee Benefits	Debt Service	Financing Uses (1)	Total (Exhibit A-2)
1988	\$ 148,194	251,594	886,537	627,393	1,258,995	265,980	(353,854)	217,329	76,522	3,378,690
1989	147,014	258,969	928,983	658,857	1,097,031	270,089	(169,653)	228,848	63,584	3,483,722
1990	153,766	275,225	1,040,924	713,372	1,212,370	287,094	(234,595)	254,850	95,442	3,798,448
1991	155,541	289,644	1,043,279	736,652	1,342,828	294,484	(273,006)	284,921	(222,013)	3,652,330
1992	142,265	263,003	1,057,508	754,009	1,411,451	289,587	(219,517)	340,358	48,429	4,087,093
1993	136,630	285,249	1,067,374	754,104	1,636,871	303,366	(295,232)	351,071	53,005	4,292,438
1994	129,601	286,722	1,106,556	796,138	1,874,348	276,964	(73,542)	333,413	46,113	4,776,313
1995	131,001	258,514	1,069,910	759,973	1,442,251	253,482	75,688	344,895	59,674	4,395,388
1996	157,576	150,743	999,298	714,653	1,734,947	278,161	(10,733)	367,704	93,924	4,486,273
1997	153,777	154,754	994,555	667,384	1,602,026	259,490	39,772	395,555	23,084	4,290,397

(1) Financing uses in 1991 includes funding bond proceeds of \$336,605.

Exhibit S-3

GENERAL FUND TAX REVENUES BY SOURCE

Last Ten Fiscal Years
(\$000s)

Fiscal Year	Property			Sales and Use		Income and Franchise		Gross Receipts	Other Taxes	Total (Exhibit S-1)
	Real (1)	Personal (2)	Rental (2)	General	Selective	Individual	Business			
1988	\$ 544,247	58,411	6,767	390,646	78,296	592,828	151,498	103,285	95,934	2,021,912
1989	638,218	63,404	9,144	428,763	78,406	603,469	156,414	136,680	90,100	2,204,598
1990	664,591	62,584	9,963	466,557	80,266	637,910	139,741	127,573	89,942	2,279,127
1991	801,876	69,899	10,103	451,582	79,422	615,746	133,279	142,562	67,263	2,371,732
1992	820,892	65,609	16,818	442,496	82,254	620,208	87,877	180,192	67,954	2,384,300
1993	928,322	67,085	16,256	410,068	94,667	589,521	140,998	229,593	81,342	2,557,852
1994	730,641	62,437	17,931	458,555	98,919	650,660	150,208	243,199	57,503	2,470,053
1995	654,284	61,305	14,754	485,651	98,456	643,676	160,679	210,912	61,324	2,391,041
1996	668,749	65,003	12,052	494,427	95,217	689,408	155,623	244,438	92,127	2,517,044
1997	617,694	60,392	9,513	514,635	99,266	753,475	188,093	238,898	95,378	2,577,344

- (1) The real property tax year was changed from June 30 to September 30 in 1993. Real property tax revenue increased \$172,863 in 1993 because taxes due on September 15, 1993, for the six month period ended December 31, 1993, were applied to the three month period ended December 31, 1993 (D.C. Act 10-32).
- (2) The personal property and public space rental tax year is from July 1 to June 30. Taxes are due by July 31. One quarter of the taxes is recognized as revenue in the current fiscal year and three quarters are deferred and recognized as revenue in the following fiscal year.

Exhibit S-4

GENERAL FUND CURRENT EXPENDITURES BY OBJECT

Last Ten Fiscal Years
(\$000s)

Fiscal Year	Salaries and Wages	Total Benefits	Future Benefits	Contractual		Occupancy	Miscellaneous		Total (Exhibit A-5)	Balance (Deficit)
				Services	Supplies		Assistance	Other		
1988	\$ 1,365,983	667,300	(353,854)	294,260	75,908	114,741	502,614	417,887	3,084,839	(218,872)
1989	1,438,716	519,853	(169,653)	287,193	80,393	117,630	522,598	394,560	3,191,290	(213,403)
1990	1,506,719	629,689	(234,595)	305,869	90,864	126,687	569,369	453,553	3,448,155	(331,589)
1991	1,513,993	688,186	(273,006)	336,751	89,953	132,024	640,456	461,065	3,589,422	1,570
1992	1,508,717	681,449	(219,517)	336,723	92,432	147,008	664,671	486,823	3,698,306	3,556
1993	1,475,465	814,241	(295,232)	376,811	93,541	150,762	827,078	445,696	3,888,362	11,322
1994	1,553,733	625,146	(73,542)	408,921	75,797	148,100	1,126,107	532,525	4,396,787	(324,106)
1995	1,450,122	425,490	75,688	380,267	55,134	137,791	1,057,085	409,242	3,990,819	(484,561)
1996	1,385,054	543,752	(10,733)	380,138	71,512	117,997	1,152,238	384,687	4,024,645	(518,249)
1997	1,332,704	471,233	39,772	431,612	57,338	130,632	1,045,642	362,825	3,871,758	(332,357)

Note: The 1995 Balance (Deficit) reflects a restatement made in 1997. Other 1995 and prior amounts have not been restated.

REAL PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years
(\$000s)

Fiscal Year	Tax Levy	Tax Collections (1)			Percent of Collections to Levy		Delinquent Taxes		
		Current	Delinquent	Total	Current	Total	Addition (Deduction)	Out-standing	Percent to Levy
1988	\$ 509,747	501,424	12,005	513,429	98.4	100.7	(1,993)	9,361	1.8 %
1989	593,469	589,316	10,779	600,095	99.3	101.1	154	2,889	0.5
1990	648,568	624,345	20,744	645,089	96.3	99.5	1,402	7,770	1.2
1991	771,588	752,075	16,357	768,432	97.5	99.6	(638)	10,288	1.3
1992	820,919	796,444	23,111	819,555	97.0	99.8	12,531	24,183	2.9
1993	928,934	867,715	21,523	889,238	93.4	95.7	17,506	81,385	8.8
1994	721,924	657,899	49,589	707,488	91.1	98.0	(31,796)	64,025	8.9
1995	720,331	649,020	43,933	692,953	90.1	96.2	(39,126)	52,277	7.3
1996	700,171	632,181	48,905	681,086	90.3	97.3	(20,898)	50,464	7.2
1997	648,166	606,435	21,002	627,437	93.6	96.8	(22,923)	48,270	7.4

- (1) Approximately 47 percent of real property tax collections are deposited with fiscal agents, such as commercial banks, for payment of matured bonds and interest.

Source: Department of Finance and Revenue.

MAJOR TAX RATES

Last Ten Fiscal Years

Fiscal Year	Property (1)						Personal	Sales and Use			Income and Franchise (5)		Gross Receipt
	Real					General		Selective		Indi- vidual	Business	Public Utility (6)	
	Residential		Commercial					Cigar- ette (3)	Motor Fuel (4)				
	Owner- Occupied	Tenant- Occupied	Hotels	Improved	Unim- proved								
1988	\$	1.22	1.54	1.82	2.03	2.03	3.10	0.0600	0.17	0.155	.060-.095	0.10250	0.067
1989		1.06								0.180			
1990		0.96		1.85	2.15	3.29						0.10500	
1991									0.30				
1992							3.40		0.50	0.200			0.097
1993						5.00			0.65			0.10250	
1994								0.0575					0.100
1995												0.09975	
1996													
1997													

Units: (1) Per \$100 of assessed value. (2) Per \$1 of sales. (3) Per pack. (4) Per gallon. (5) Per \$1 of taxable income. (6) Per \$1 of gross receipts.

Source: Department of Finance and Revenue.

100 ★ DISTRICT OF COLUMBIA

Exhibit S-7

ASSESSED VALUE, CONSTRUCTION AND BANK DEPOSITS

Last Ten Fiscal Years (\$000s)

Fiscal Year	Assessed Value of Property (1)				Commercial Construction		Residential Construction		Bank Deposits (3)
	Commercial	Residential (2)	Total Taxable	Tax Exempt	Number of Units	Value	Number of Units	Value	
1988	\$ 16,424,500	15,259,700	31,684,200	24,058,600	386	\$ 706,020	576	\$ 91,603	11,210,442
1989	19,492,000	15,826,000	35,318,000	26,747,400	349	594,297	536	102,869	11,881,261
1990	21,794,217	17,214,433	39,008,650	28,764,776	111	915,113	191	49,440	12,515,450
1991	25,256,291	19,880,777	45,137,068	27,600,164	34	462,237	64	14,321	12,300,530
1992	27,901,550	20,830,365	48,731,915	33,269,958	24	320,900	59	22,201	12,300,529
1993	24,478,683	20,505,958	44,984,641	31,892,428	29	68,470	21	7,967	9,602,051
1994	22,446,880	21,951,120	44,398,000	32,126,502	29	79,754	45	20,509	9,078,000
1995	21,687,105	20,480,012	42,167,117	32,154,883	5	77,467	67	24,815	8,893,414
1996	20,657,057	22,041,463	42,698,520	29,749,392	12	101,717	80	21,399	3,833,000
1997	19,373,225	22,884,675	42,257,900	30,170,470	57	1,003,761	165	91,170	2,405,000

(1) Assessed value is 100 percent of estimated actual value.

(2) After deduction of homestead exemptions and credits against tax.

(3) Source - Federal Deposit Insurance Corporation Data Book

Source: Department of Finance and Revenue.

n/a Not available

Exhibit S-8

TEN HIGHEST ASSESSED VALUES FOR TAX EXEMPT PROPERTIES

October 1, 1997

Property (1)	Value
George Washington University and Hospital	\$ 582,470,659
The International Bank for Reconstruction and Development	431,163,760
Howard University and Hospital	404,244,924
Georgetown University and Hospital	397,740,512
American University	194,418,578
Washington Hospital Center	187,913,700
Inter-American Development Bank	137,681,000
Catholic University of America	132,056,940
National Cathedral	123,937,172
International Monetary Fund	122,361,997

(1) Excludes Federal, District and foreign government property.

Source: Department of Finance and Revenue.

TEN HIGHEST ASSESSED VALUES FOR COMMERCIAL PROPERTIES

October 1, 1997

Squares	Lots	Building	Land	Improvements	Total
163	55	1050 Connecticut Avenue, N.W.	\$ 62,985,975	130,656,025	193,642,000
465	96	400 7th Street, N.W.	64,761,675	110,030,325	174,792,000
106	49	1835 I Street, N.W.	80,210,044	85,429,956	165,640,000
254	837	1331 Pennsylvania Avenue, N.W.	77,196,150	82,331,850	159,528,000
538	874	300 E Street, N.W.	29,727,672	112,910,328	142,638,000
290	43	555 13th Street, N.W.	47,591,145	89,416,855	137,008,000
224	22	613 15th Street, N.W.	50,333,220	84,852,780	135,186,000
456	865	601 E Street, N.W.	28,231,203	85,031,797	113,263,000
225	33	1401 Pennsylvania Avenue, N.W.	47,660,688	57,109,312	104,770,000
290	44	501 13th Street, N.W.	45,309,825	56,073,175	101,383,000

Source: Department of Finance and Revenue.

TEN HIGHEST ASSESSED VALUES FOR RESIDENTIAL PROPERTIES

October 1, 1997

Squares	Lots	Building	Land	Improvements	Total
1346	803	1801 Foxhall Road, N.W.	\$ 11,120,231	909,139	12,029,370
1346	822	Foxhall Road, N.W.	11,673,998	-	11,673,998
2630	819	1940 Shepherd Street, N.W.	6,586,098	3,377,814	9,963,912
1341	861	2301 Foxhall Road, N.W.	5,372,774	500,000	5,872,774
2198	14	2929 Massachusetts Avenue, N.W.	869,259	4,158,846	5,028,105
2199	254	2501 30th Street, N.W.	699,168	4,320,496	5,019,664
2140	44	2840 Woodland Drive, N.W.	1,714,917	3,100,117	4,815,034
1285	812	1623 28th Street, N.W.	2,037,898	1,971,873	4,009,771
1513	905	3244 Nebraska Avenue, N.W.	2,525,347	1,378,766	3,904,113
2502	45	2401 Kalorama Road, N.W.	1,584,192	2,172,548	3,756,740

Source: Department of Finance and Revenue.

Exhibit S-11

COMPUTATION OF LEGAL DEBT LIMITATION

Last Two Fiscal Years
(\$000s)

Description	Source	1997	1996
Revenues:			
General Fund:			
District Sources	Exhibit S-1	\$ 2,904,530	2,786,853
Payment in lieu of taxes	Exhibit S-1	665,702	660,000
Water and Sewer Fund	Exhibit F-2	222,878	181,036
Subtotal		3,793,110	3,627,889
Less - court fees	Exhibit A-3	6,009	6,376
Total revenues		\$ 3,787,101	3,621,513
Principal and Interest:			
General Fund:			
Principal	Exhibit S-13	207,903	191,247
Interest	Exhibit S-13	174,085	173,807
Water and Sewer Fund:			
Principal matured	Note 5A	32,186	19,453
Interest expense	Exhibit F-2	14,744	17,764
Interest capitalized	Note 4C	-	1,468
Total principal and interest		\$ 428,918	403,739
Percent of Principal and Interest to Revenues (1)		11.3%	11.1%

- (1) Under the District of Columbia Self-Government and Governmental Reorganization Act, no long term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long term debt to exceed 14 percent of the revenues of the fiscal year in which the debt is issued.

Exhibit S-12

PERCENT OF DEBT TO ASSESSED VALUE AND DEBT PER CAPITA

Last Ten Fiscal Years
(\$000s)

Fiscal Year	General Obligation Debt (Note 5A) (1)			Assessed Value	Percent of Debt to Assessed Value	Population	Debt Per Capita (3)
	Enterprise (2)	General	Total	(Exhibit S-7)	Value	(Exhibit S-14)	
1988	\$ 302,802	2,116,088	2,418,890	31,684,200	7.6	630,400	3,837
1989	299,636	2,235,866	2,535,502	35,318,000	7.2	624,200	4,062
1990	300,643	2,489,716	2,790,359	39,008,650	7.2	603,600	4,623
1991	319,292	2,893,265	3,212,557	45,137,068	7.1	594,300	5,406
1992	313,742	3,026,047	3,339,789	48,731,915	6.9	585,800	5,701
1993	324,295	3,230,865	3,555,160	44,984,641	7.9	578,100	6,150
1994	337,760	3,314,312	3,652,072	44,398,000	8.2	567,000	6,441
1995	323,172	3,157,003	3,480,175	42,167,117	8.3	554,300	6,279
1996	303,719	2,965,756	3,269,475	42,698,520	7.7	539,300	6,062
1997	282,100	3,084,763	3,366,863	42,257,900	8.0	529,000	6,365

- (1) There is no revenue, special assessment or overlapping debt.
- (2) A portion of the general obligation debt was incurred for the benefit of the Water and Sewer Enterprise Fund which services that debt as a matter of discretionary financial policy. The fund is not a legal entity and is not a party to the debt instruments.
- (3) These amounts are not expressed in thousands.

PERCENT OF DEBT SERVICE TO GENERAL FUND EXPENDITURES

Last Ten Fiscal Years
(\$000s)

Fiscal Year	Debt Service (Exhibit A-2)				General Fund Expenditures (Exhibit S-2)	Percent of Debt Service to General Fund Expenditures
	Principal	Interest (1)	Fiscal Charges	Total		
1988	\$ 66,630	148,783	1,916	217,329	3,378,690	6.4%
1989	71,743	153,555	3,550	228,848	3,483,722	6.6
1990	84,922	162,050	7,878	254,850	3,798,448	6.7
1991	97,792	177,452	9,677	284,921	3,652,330	7.8
1992	128,917	204,181	7,260	340,358	4,087,093	8.3
1993	151,675	193,641	5,755	351,071	4,292,438	8.2
1994	139,515	186,878	7,020	333,413	4,776,313	7.0
1995	157,308	184,510	3,077	344,895	4,395,388	7.8
1996	191,247	173,807	2,650	367,704	4,486,273	8.2
1997	207,903	174,085	13,567	395,555	4,290,397	9.2

(1) Excludes accreted interest on capital appreciation bonds.

DEMOGRAPHIC STATISTICS

Last Ten Fiscal Years

Fiscal Year	Popula- tion (1)	Per Capita Income (2)	Median Age	Hospital	Schools		University		Employ- ment	Unemploy- ment Rate
				Patient- Days	Students	Teachers	Students	Graduates		
1988	630,400	21,745	32.7	124,579	85,306	6,588	6,711	965	669,500	5.0
1989	624,200	23,367	32.9	135,757	81,301	6,655	7,089	889	679,800	4.9
1990	603,600	25,628	33.6	125,035	80,694	6,550	7,222	865	686,200	6.1
1991	594,300	27,040	33.7	125,385	80,618	6,305	6,901	919	678,800	7.5
1992	585,800	29,226	33.9	126,898	80,937	6,453	7,007	859	674,500	8.5
1993	578,100	30,475	34.2	119,130	80,937	6,231	6,590	871	671,500	8.7
1994	567,000	31,860	34.5	108,160	80,678	6,233	6,476	595	662,000	8.3
1995	554,300	33,452	34.9	83,219	80,450	6,038	6,518	927	646,900	8.7
1996	539,300	33,435	n/a	72,778	79,802	5,695	5,863	1,041	633,100	8.7
1997	529,000	34,932	n/a	68,375	78,648	5,062	4,754	961	612,700	7.7

(1) Source: Federal Bureau of the Census.

(2) Source: Federal Department of Commerce, Bureau of Economic Analysis.

n/a Not available.

MISCELLANEOUS STATISTICS

Last Two Fiscal Years

Description	1997	1996
Area (square miles):		
Federal and foreign governments	22.9	23.3
District government	2.4	2.4
Streets and alleys	16.7	16.3
Taxable base	19.9	19.9
Total area	<u>61.9</u>	<u>61.9</u>
Employees (authorized, permanent, full-time):		
Governmental direction and support	1,457	1,288
Economic development and regulation	626	717
Public safety and justice	10,611	11,122
Public education system	9,334	10,299
Human support services	3,112	3,538
Public works	2,111	2,073
Total employees	<u>27,251</u>	<u>29,037</u>
Police Protection:		
Number of stations including satellites	9	8
Number of police officers	3,657	3,561
Crime index offenses	58,378	67,491
Fire Protection:		
Number of stations	33	33
Number of fire fighters	1,233	1,225
Transportation:		
Number of street lights	66,364	63,823
Number of traffic signalized intersections	1,502	1,340
Number of motor vehicle registrations (1/1-12/31)	130,203	n/a
Number of operator licenses issued (1/1-12/31)	86,983	n/a
Water:		
Number of consumers	130,645	130,420
Average daily consumption (in millions of gallons)	137	143
Miles of mains	1,300	1,300
Sewers:		
Miles of mains	1,800	1,800
Daily maximum capacity (in millions of gallons)	740	585
Economic:		
Taxable retail sales (in millions)	\$6,640	\$6,352
Unemployment claims accepted	38,851	45,142
Unemployment claims rejected	15,898	18,821
Recreation:		
Number of centers and playgrounds	71	81
Number of day camps	3	3
Number of outdoor swimming pools	34	35
Number of indoor swimming pools	6	7
Libraries:		
Number of main and branch buildings	22	22
Number of community and kiosk facilities	5	5
Number of volumes	2,863,749	2,812,565
Education:		
Number of public schools	147	159